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Capitalism, Socialism, and Nihilism
Irving Kristol

Is There an Energy Crisis? *Marc J. Roberts*

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Toward a Definition of Economic Justice *Lester Thurow*

"Problem Families" and Public Housing *Richard Scobie/ Roger Starr*

Review Essays: A Special Section
Peter Berger on "Sincerity and Authenticity" • James Tobin on "Economic Heresies" • Nathan Keyfitz on "Inequality" Nathan Glazer on Health Care

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Beginning with the next issue, Daniel Bell, co-founder and co-editor of this journal, will relinquish his editorship to become Chairman of the Publication Committee. His position as co-editor will be filled by Nathan Glazer. Stanley Simon will continue to serve as a member of the Publication Committee.

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Capitalism, socialism, and nihilism

IRVING KRISTOL

WHENEVER and wherever defenders of "free enterprise," "individual liberty," and "a free society" assemble, these days, one senses a peculiar kind of nostalgia in the air. It is a nostalgia for that time when they were busily engaged in confronting their old and familiar enemies, the avowed proponents of a full-blown "collectivist" economic and social order. In the debate with these traditional enemies, advocates of "a free society" have, indeed, done extraordinarily well. It is therefore a source of considerable puzzlement to them that, though the other side seems to have lost the argument, their side seems somehow not to have won it.

Among the most articulate and intelligent advocates of a "free society" are those who have, over this past quarter-century, been associated with the Mont Pelerin Society. Now, I am aware that within the Society itself there are different ideological and philo-

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This is a condensed and somewhat revised version of a lecture delivered to the 25th-anniversary meeting of the Mont Pelerin Society, in Montreux, Switzerland, in September 1972. The Society is a loose assembly of scholars, businessmen, and statesmen devoted to the defense of individual liberty in the modern world. Its "founding father" was Friedrich A. Hayek; its president, at the time of this lecture, was Milton Friedman.

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sophical tendencies. Friedrich Hayek is not Milton Friedman, nor vice versa, and there are interesting differences between the 19th-century liberal individualism of the one and the 19th-century radical individualism of the other. Still, these twain do meet—and not only in Switzerland. There can be little doubt, for instance, that their thinking has converged into a powerful attack on the traditional socialist notions of central economic planning and a centrally-administered economy. And there is absolutely no doubt, in my own mind, that this attack has been enormously successful—far more successful than one would have dreamed possible 25 years ago.

This attack, like so many successful attacks, has taken the form of a pincer movement. On the one hand, Professor Hayek has explored, in *The Counterrevolution of Science,* the ideological origins in the 19th century of the notion of large-scale "social engineering," and his critical history of what he calls—and of what we now call, after him—"scientism" is a major contribution to the history of ideas. It is in good part because of Professor Hayek's work in this area, and also because of his profound insights—most notably in *The Constitution of Liberty*—into the connection between a free market, the rule of law, and individual liberty, that you don't hear professors saying today, as they used so glibly to say, that "we are all socialists now." They are far more likely to say that the question of socialism is irrelevant and they would prefer not to discuss it.

Milton Friedman, on the other hand, has launched his main attack on "the planned society" through the jungles of social and economic policy, as distinct from the highlands of theory. No other thinker of our time has so brilliantly exposed and publicized the perversities that can be engendered by governmental intervention in the economic life of a nation. Whereas Hayek demonstrated why large-scale, centralized planning does not have the wonderful results it is supposed to, Friedman shows us how governmental rules and regulations so frequently get results that are the opposite of those intended. In addition, Friedman has instructed us all—including most socialists and neo-socialists—in the unsuspected, creative powers of the market as a mechanism for solving social problems. Indeed, we have now reached the stage where planners will solemnly assemble and contemplate ways of using the powers of government *to create markets* in order to reach their goals.

As a result of the efforts of Hayek, Friedman, and the many others who—whether associated with Mont Pelerin or not—share their general outlook, the idea of a centrally-planned and centrally-administered economy, so popular in the 1930's and early 1940's, has been

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discredited. Even in the socialist nations, economists are more interested in reviving the market than in permanently burying it. Whether they can have a market economy without private property is, of course, an issue they will shortly have to face up to.

The question then naturally arises: If the traditional economics of socialism has been discredited, why has not the traditional economics of capitalism been vindicated? I should say that the reasons behind this state of affairs are quite obvious and easily comprehensible—only they are terribly difficult to explain to economists.

On "thinking economically"

The original appeal of the idea of central economic planning—like the traditional appeal of socialism itself—was cast primarily in economic terms. It was felt that such planning was necessary to (a) overcome the recurrent crises—i.e., depressions—of a market economy and (b) provide for steady economic growth and greater material prosperity for all. This importance which traditional socialism—the Old Left, as we would call it today—ascribed to economics was derived from Marxism, which in turn based itself on the later writings of Marx. But the socialist impulse always had other ideological strands in it, especially a yearning for "fraternity" and "community," and a revulsion against the "alienation" of the individual in liberal-bourgeois society. These ideological strands were prominent among the "utopian socialists," as Engels was to label them, and in the early thought of Karl Marx himself, in which economics received much less attention than religion and political philosophy. They are prominent again today, in the thinking of what is called the "New Left."

The Old Left has been intellectually defeated on its chosen battleground, i.e., economics. But the New Left is now launching an assault on liberal society from quite other directions. One of the most astonishing features of the New Left—astonishing, at least, to a middle-aged observer—is how little interest it really has in economics. I would put it even more strongly: The identifying marks of the New Left are its refusal *to think economically* and its contempt for bourgeois society precisely because this is a society that does think economically.

What do I mean by "thinking economically"? I have found that it is very hard to convey this meaning to economists, who take it for granted that this is the only possible way for a sensible man to think—that, indeed, thinking economically is the same thing as thinking rationally. Economics is the social science *par excellence* of moder-

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nity, and economists as a class find it close to impossible to detach themselves from the philosophical presuppositions of modernity. This would not be particularly significant—has until recently not been particularly significant—were it not for the fact that the New Left is in rebellion against these philosophical presuppositions themselves.

Let me give you a simple illustration. One of the keystones of modern economic thought is that it is impossible to have an *a priori* knowledge of what constitutes happiness for other people; that such knowledge is incorporated in an individual's "utility schedules"; and this knowledge, in turn, is revealed by the choices the individual makes in a free market. This is not merely the keystone of modern economic thought—it is also the keystone of modern, liberal, secular society itself. This belief is so deeply ingrained in us that we are inclined to explain any deviation from it as perverse and pathological. Yet it is a fact that for several millennia, until the advent of modernity, people did not believe any such thing—would, indeed, have found such a belief to be itself shockingly pathological and perverse. For all pre-modern thinkers, *a priori* knowledge of what constituted other people's happiness was not only possible, it was a fact. True, such knowledge was the property of a small elite—religious, philosophical, or political. But this was deemed to be altogether proper: Such uncommon knowledge could not be expected to be found among common men. So you did not need a free market or a free society to maximize individual happiness; on the contrary, a free market, not being guided by the wisdom of the elite, was bound to be ultimately frustrating, since the common people could not possibly know what they *really* wanted or what would really yield them "true" happiness.

Now, we know from our experience of central economic planning that this pre-modern approach is fallacious—but if, and only if, you define "happiness" and "satisfaction" in terms of the material production and material consumption of commodities. If you do not define "happiness" or "satisfaction" in this way, if you refuse to "think economically," then the pre-modern view is more plausible than not. It is, after all, one thing to say that there is no authentically superior wisdom about people's tastes and preferences in commodities; it is quite another thing to deny that there is a superior wisdom about the spiritual dimensions of a good life. Even today, that last proposition does not sound entirely ridiculous to us. And if you believe that man's spiritual life is infinitely more important than his trivial and transient adventures in the marketplace, then you may tolerate a free market for practical reasons, within narrow limits, but you certainly will

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have no compunctions about overriding it if you think the free market is interfering with more important things.

The shamefaced counterrevolution

Modern economists are for the most part unaware that their habit of "thinking economically" only makes sense within a certain kind of world, based on certain peculiarly modern presuppositions. They insist that economics is a science—which is certainly true, but only if you accept the premises of modern economics. Thus, one of our most distinguished economists, Ludwig Von Mises, wrote:

> Economics is a theoretical science and as such abstains from any judgment of value. It is not its task to tell people what ends they should aim at. It is a science of the means to be applied for the attainment of ends chosen, not . . . a science of the choosing of ends.

That statement sounds terribly modest and uncontroversial and platitudinous. But is it? Is it really so easy to separate means from ends? What, for example, if we are members of a monastic community and our end is holy poverty—not just poverty but holy poverty, a poverty suffused with a spiritual intention? Can economics help us attain this end? Or, to take a somewhat less extreme instance: What if we are loyal members of the kind of Orthodox Jewish community that even today is to be found in sections of New York City? In such a community, where most people are engaged in business, there unquestionably is some role for an economist—but only within narrow limits. In the end, the superior purpose of such a community is obedience to sacred Law and meditation on the meaning of this Law. For the maximization of such an end, economics is of little use.

Modern, liberal, secular society is based on the revolutionary premise that there is no superior, authoritative information available about the good life or the true nature of human happiness—that this information is implicit only in individual preferences, and that therefore the individual has to be free to develop and express these preferences. What we are witnessing in Western society today are the beginnings of a counterrevolution against this conception of man and society. It is a shamefaced counterrevolution, full of bad faith and paltry sophistry, because it feels compelled to define itself as some kind of progressive extension of modernity instead of, what it so clearly is, a reactionary revulsion against modernity. It is this failure in self-definition that gives rise to so much irrelevant controversy.

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The debate provoked by the writings of John Kenneth Galbraith is, it seems to me, a case in point. Galbraith thinks he is an economist and, if one takes him at his word, it is easy to demonstrate that he is a bad one. But the truth is that Galbraith is not really an economist at all; he can be more accurately described as a reluctant rabbi. His essential thesis is one familiar to pre-modern moralists and theologians: Consumption *ought not to be* a constant function of relative income. Implicit in this thesis are the corollaries that (1) Galbraith knows better than any common man what "utility schedule" will provide all common men with enduring and meaningful satisfaction, and (2) if common men were uncorrupted by capitalist propaganda, they would permit Galbraith to prescribe "utility schedules" for them. Some of Galbraith's critics think they have refuted him when they make all this explicit. What they have done, I should say, is to enlighten him as to his own true purposes. That he so stubbornly resists such enlightenment is to be explained by his naive conviction that, because he is attacking bourgeois society, he must be a "progressive" thinker.

The New Left vs. "economic man"

A similar confusion, I should say, arises in connection with what we call the "environmentalist" movement. Economists and politicians both—the one with naivety, the other with cunning—have decided to give a literal interpretation to the statements of this movement. And, given this literal interpretation, the thrust of environmentalism is not particularly subversive. If people today are especially concerned about clean air and clean water, then economic analysis can show them different ways—with different costs and benefits—of getting varying degrees of clean air and clean water. But it turns out that your zealous environmentalists do not want to be shown anything of the sort. They are not really interested in clean air or clean water at all. What *does* interest them is modern industrial society and modern technological civilization, toward which they have profoundly hostile sentiments. When they protest against "the quality of life" in this society and this civilization, they are protesting against nothing so trivial as air or water pollution. Rather they are at bottom rejecting a liberal civilization which is given shape through the interaction of a countless sum of individual preferences. Since they do not like the shape of that civilization, they are moved to challenge—however indirectly or slyly—the process that produces this shape. What environmentalists really want is very simple: They want the

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authority—the power—to create an "environment" which pleases them; and this "environment" will be a society where the rulers will not want to "think economically" and the ruled will not be permitted to do so.

Something similar is going on with the "consumers' protection movement," whose true aim is not to "protect" the consumer but rather to circumscribe—and ultimately abolish—his "sovereignty." The objection to such sovereignty is that common people *do* "think economically" when they are liberated from traditional constraints and are encouraged to do whatever they think best for themselves. The "consumers' protection movement," like the "environmentalist" movement, is a revulsion against the kind of civilization that common men create when they are given the power, which a market economy does uniquely give them, to shape the world in which they wish to live.

I think we can summarize our situation as follows: The Old Left accepted the idea of the common good proposed by bourgeois-liberal society. The essential ingredients of this idea were material prosperity and technological progress. Bourgeois liberalism insisted that individual liberty was a precondition of this common good; the Old Left insisted that centralized planning was a precondition—but that individual liberty would be an eventual consequence. The experience of the post-World War II decades has revealed that the Old Left simply could not compete with bourgeois liberalism in this ideological debate. The result has been the emergence of a New Left which implicitly rejects both the bourgeois-liberal and the Old Left idea of the common good, and which therefore rejects (again implicitly, for the most part) the ideological presuppositions of modernity itself. This movement, which seeks to end the sovereignty over our civilization of the common man, must begin by seeking the death of "economic man," because it is in the marketplace that this sovereignty is most firmly established. It thinks of itself as a "progressive" movement, whereas its import is regressive. This is one of the reasons why the New Left, every day and in every way, comes more and more to resemble the Old Right, which never did accept the liberal-bourgeois revolutions of the 18th and 19th centuries.

The inadequacies of liberalism

One is bound to wonder at the inadequacies of bourgeois liberalism that have made it so vulnerable, first to the Old Left, and now to the New. These inadequacies do not, in themselves, represent a final

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judgment upon it—every civilization has its necessary costs and benefits. But it does seem to be the case that, in certain periods, a civilization will have greater difficulty striking an acceptable balance than in others—and that sometimes it arrives at a state of permanent and precarious "tilt" for reasons it cannot quite comprehend. What it is important to realize, and what contemporary social science finds it so hard to perceive, is that such reasons are not necessarily new events or new conditions; they may merely be older inadequacies—long since recognized by some critics—that have achieved so cumulative an effect as to become, suddenly, and seemingly inexplicably, intolerable.

Certainly, one of the key problematic aspects of bourgeois-liberal society has long been known and announced. This is the fact that liberal society is of necessity a secular society, one in which religion is mainly a private affair. Such a disestablishment of religion, it was predicted by Catholic thinkers and others, would gradually lead to a diminution of religious faith and a growing skepticism about the traditional consolations of religion—especially the consolations offered by a life after death. That has unquestionably happened, and with significant consequences. One such consequence is that the demands placed upon liberal society, in the name of temporal "happiness," have become ever more urgent and ever more unreasonable. In every society, the overwhelming majority of the people lead lives of considerable frustration, and if society is to endure, it needs to be able to rely on a goodly measure of stoical resignation. In theory, this could be philosophical rather than religious; in fact, philosophical stoicism has never been found suitable for mass consumption. Philosophical stoicism has always been an aristocratic prerogative; it has never been able to give an acceptable rationale of "one's station and one's duties" to those whose stations are low and whose duties are onerous. So liberal civilization finds itself having spiritually expropriated the masses of its citizenry, whose demands for material compensation gradually become as infinite as the infinity they have lost. All of this was clearly foreseen by many of the anti-modern critics who witnessed the birth of modernity.

Another (and related) consequence of the disestablishment of religion as a publicly-sanctioned mythos has been the inability of liberal society ever to come up with a convincing and generally-accepted theory of political obligation. Liberal philosophers have proposed many versions of utilitarianism to this end, but these have remained academic exercises and have not had much popular impact. Nor is this surprising: No merely utilitarian definition of civic loyalty

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is going to convince anyone that it makes sense for him to die for his country. In actual fact, it has been the secular myth of nationalism which, for the past century and a half, has provided this rationale. But this secular myth, though it has evolved hand-in-hand with bourgeois society, is not intrinsically or necessarily bourgeois. Nationalism ends by establishing "equal sacrifice" as the criterion of justice; and this is no kind of bourgeois criterion. We have seen, in our own day, how the spirit of nationalism can be utterly contemptuous of bourgeois proprieties, and utterly subversive of the bourgeois order itself.

The depletion of moral capital

Even the very principles of individual opportunity and social mobility, which originally made the bourgeois-liberal idea so attractive, end up—once the spirit of religion is weakened—by creating an enormous problem for bourgeois society. This is the problem of publicly establishing an acceptable set of rules of distributive justice. The problem does not arise so long as the bourgeois ethos is closely linked to what we call the Puritan or Protestant ethos, which prescribes a connection between personal merit—as represented by such bourgeois virtues as honesty, sobriety, diligence, and thrift—and worldly success. But from the very beginnings of modern capitalism there has been a different and equally influential definition of distributive justice. This definition, propagated by Mandeville and Hume, is purely positive and secular rather than philosophical or religious. It says that, under capitalism, whatever is, is just—that all the inequalities of liberal-bourgeois society must be necessary, or else the free market would not have created them, and therefore they must be justified. This point of view makes no distinction between the speculator and the bourgeois-entrepreneur: Both are selfish creatures who, in the exercise of their private vices (greed, selfishness, avarice), end up creating public benefits.

Let us leave aside the intellectual deficiencies of this conception of justice—I myself believe these deficiencies are radical—and ask ourselves the question which several contemporaries of Mandeville and Hume asked before us: Will this positive idea of distributive justice commend itself to the people? Will they accept it? Will they revere it? Will they defend it against its enemies? The answer, I submit, is as obvious as it is negative. Only a philosopher could be satisfied with an *ex post facto* theory of justice. Ordinary people will see it merely as a self-serving ideology; they insist on a more "metaphysical" justification of social and economic inequalities. In the absence of such a

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justification, they will see more sense in simple-minded egalitarianism than in the discourses of Mandeville or Hume. And so it has been: As the connection between the Protestant ethic and liberal-bourgeois society has withered away, the egalitarian temper has grown ever more powerful.

For well over a hundred and fifty years now, social critics have been warning us that bourgeois society was living off the accumulated moral capital of traditional religion and traditional moral philosophy, and that once this capital was depleted, bourgeois society would find its legitimacy ever more questionable. These critics were never, in their lifetime, either popular or persuasive. The educated classes of liberal-bourgeois society simply could not bring themselves to believe that religion or philosophy was that important to a polity. *They* could live with religion or morality as a purely private affair, and they could not see why everyone else—after a proper secular education, of course—could not do likewise. Well, I think it is becoming clear that religion, and a moral philosophy associated with religion, is far more important politically than the philosophy of liberal individualism admits. Indeed, I would go further and say that it is becoming clearer every day that even those who thought they were content with a religion that was a private affair are themselves discovering that such a religion is existentially unsatisfactory.

Libertarianism and libertinism

But if the grave problems that secularization would inevitably produce for liberal-bourgeois society were foreseen, if only in general terms, not all the problems that our liberal society faces today were foreseen. While many critics predicted a dissolution of this society under certain stresses and strains, none predicted—none could have predicted—the blithe and mindless self-destruction of bourgeois society which we are witnessing today. *The enemy of liberal capitalism today is not so much socialism as nihilism.* Only liberal capitalism doesn't see nihilism as an enemy, but rather as just another splendid business opportunity.

One of the most extraordinary features of our civilization today is the way in which the "counterculture" of the New Left is being received and sanctioned as a "modern" culture appropriate to "modern" bourgeois society. Large corporations today happily publish books and magazines, or press and sell records, or make and distribute movies, or sponsor television shows which celebrate pornography, denounce the institution of the family, revile the "ethics of acquisi-

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tiveness," justify civil insurrection, and generally argue in favor of the expropriation of private industry and the "liquidation" of private industrialists. Some leaders of the New Left are sincerely persuaded that this is part of a nefarious conspiracy to emasculate them through "cooptation." In this, as in almost everything else, they are wrong. There is no such conspiracy—one is almost tempted to add, "alas." Our capitalists promote the ethos of the New Left for only one reason: They cannot think of any reason why they should not. For them, it is "business as usual."

And indeed, why shouldn't they seize this business opportunity? The prevailing philosophy of liberal capitalism gives them no argument against it. Though Milton Friedman's writings on this matter are not entirely clear—itself an odd and interesting fact, since he is usually the most pellucid of thinkers—one gathers that he is, in the name of "libertarianism," reluctant to impose any prohibition or inhibition on the libertine tendencies of modern bourgeois society. He seems to assume, as I read him, that one must not interfere with the dynamics of "self-realization" in a free society. He further seems to assume that these dynamics cannot, in the nature of things, be self-destructive—that "self-realization" in a free society can only lead to the creation of a self that is compatible with such a society. I don't think it has been sufficiently appreciated that Friedman is the heir, not only to Hume and Mandeville, but to modern romanticism too. In the end, you can maintain the belief that private vices, freely exercised, will lead to public benefits only if you are further persuaded that human nature can never be utterly corrupted by these vices, but rather will always transcend them. The idea of bourgeois virtue has been eliminated from Friedman's conception of bourgeois society, and has been replaced by the idea of individual liberty. The assumption is that, in "the nature of things," the latter will certainly lead to the former. There is much hidden metaphysics here, and of a dubious kind.

And Hayek, too, though obviously hostile in temperament and mood to the new nihilism, has no grounds for opposing it in principle. When Hayek criticizes "scientism," he does indeed write very much like a Burkean Whig, with a great emphasis on the superior wisdom implicit in tradition, and on the need for reverence toward traditional institutions that incorporate this wisdom. But when he turns to a direct contemplation of present-day society, he too has to fall back on a faith in the ultimate benefits of "self-realization"—a phrase he uses as infrequently as possible, but which he is nevertheless forced to use at crucial instances. And what if the "self" that is "realized"

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under the conditions of liberal capitalism is a self that despises liberal capitalism, and uses its liberty to subvert and abolish a free society? To this question, Hayek—like Friedman—has no answer.

And yet this is *the* question we now confront, as our society relentlessly breeds more and more such selves, whose private vices in no way provide public benefits to a bourgeois order. Perhaps one can say that the secular, "libertarian" tradition of capitalism—as distinct from the Protestant-bourgeois tradition—simply had too limited an imagination when it came to vice. It never really could believe that vice, when unconstrained by religion, morality, and law, might lead to viciousness. It never really could believe that self-destructive nihilism was an authentic and permanent possibility that any society had to guard against. It could refute Marx effectively, but it never thought it would be called upon to refute the Marquis de Sade and Nietzsche. It could demonstrate that the Marxist vision was utopian; but it could not demonstrate that the utopian vision of Fourier—the true ancestor of our New Left—was wrong. It was, in its own negligent way, very much a bourgeois tradition in that, while ignoring the bourgeois virtues, it could summon up only a bourgeois vision of vice.

The hunger for legitimacy

Today, the New Left is rushing in to fill the spiritual vacuum at the center of our free and capitalist society. For the most part, it proclaims itself as "socialist," since that is the only tradition available to it. It unquestionably feeds upon the old, socialist yearnings for community —for a pre-individualist society—and is therefore, if not collectivist, at least "communalist" in its economics and politics. But it is also nihilistic in its insistence that, under capitalism, the individual must be free to create his own morality. The New Left is best seen as a socialist heresy, in that it refuses to "think economically" in any serious way. One might say it is a socialist heresy that corresponds to the liberal heresy it is confronting: the heresy of a "free society" whose individuals are liberated from the bourgeois ethos that used to bind them together in a bourgeois-liberal community. And as the "free society" produces material affluence, but also moral and political anarchy, so the New Left—even as it pushes individual liberty beyond anarchy itself—longs for a moral and political community in which "thinking economically" will be left to our Helots, the machines. In all their imagined utopian communities, the free individual who contracts for "the good life" has to surrender both his individualism and his freedom.

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It is in the nature of heresies to take a part for the whole. Thus, our version of the "free society" is dedicated to the proposition that to be free is to be good. The New Left, though it echoes this proposition when it is convenient for its purposes, is actually dedicated to the counter-belief—which is the pre-liberal proposition—that to be good is to be free. In the first case, the category of goodness is emptied of any specific meaning; in the second case, it is the category of freedom which is emptied of any specific meaning. In the war between these two heresies, the idea of a free society that is in some specific sense virtuous (the older "bourgeois" ideal) and the idea of a good community that is in some specific sense free (the older "socialist" ideal as represented, say, by European social democracy)—both are emasculated, and the very possibility of a society that can be simultaneously virtuous and free, i.e., that organically weds order to liberty, becomes ever more remote.

And yet no society that fails to celebrate the union of order and liberty, in some specific and meaningful way, can ever hope to be accepted as legitimate by its citizenry. The hunger for such legitimacy is, I should say, the dominant political fact in the world today—in the "free" nations and among the "socialist" countries as well. It is instructive, and rather sad, to observe the enormous popularity of the recent TV serial, *The Forsyte Saga*, in both capitalist and socialist societies. Obviously, it evoked a profound nostalgia for an order—a society where virtue and freedom were reconciled, however imperfectly—which some of these nations had lost, and which others had never even known. I should say that something of the sort also explains the international popularity of *Fiddler on the Roof*, which gives us a picture of a different kind of legitimate order—a picture that has obvious appeal even to people who do not know the difference between the Talmud and the Code Napoleon.

I find even more pathetic the efforts of the governments of the "free world" and of the "socialist" nations to achieve some minimum legitimacy by imitating one another. The "free societies" move haltingly toward collectivism, in the hope that this will calm the turbulence that agitates them and threatens to tear them apart. The "socialist" nations take grudging steps toward "liberalization," for the same purpose. The results, in both cases, are perverse. Each such step, so far from pacifying the populace, further provokes them—since each such step appears as a moral justification of the turbulence that caused it.

What medicine does one prescribe for a social order that is sick because it has lost its soul? Our learned doctors, the social scientists,

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look askance at this kind of "imaginary" illness, which has dramatic physical symptoms but no apparent physical causes. Some, on what we conventionally call the "right," cannot resist the temptation to conclude that the patient is actually in robust health, and that only his symptoms are sick. Others, on what we conventionally call the "left," declare that the patient is indeed sick unto death and assert that it is his symptoms which are the causes of his malady. Such confusion, of course, is exactly what one would expect when both patient and doctors are suffering from the same mysterious disease.

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Is there an energy crisis?

MARC J. ROBERTS

THE "energy crisis," as an object of media attention, is rapidly becoming this year's equivalent of the hoola hoop or the miniskirt. There have been grave pronouncements from "responsible business leaders." High-level studies have been ordered by "concerned public officials." Many Americans no doubt now believe that electricity brownouts, apparent shortages of natural gas and home heating oil, recent environmental protection measures, and the nation's high rate of economic growth are all part of a single complex, confused, policy problem. When liberal magazines and Southern Congressmen, radical ecologists and oil company presidents, government officials and MIT professors all concur, how can one refuse to accept the reality of the "energy crisis"?

Effective public relations, however, is not the same as sound analysis. Dramatic labels can distort, even substitute for, critical thought. There are reasons to be dissatisfied with the organization and operation of the energy sectors of our economy, and public action may well be warranted as a result. But we will not be in a position to prescribe such action intelligently unless we go behind

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the often self-serving hoopla and try to set forth clearly just what is, and is not, taking place.

Efforts at disentanglement of this issue indicate that there is not one "energy crisis" but instead a number of distinguishable, if interlinked, energy problems. Oil shortages are a product of accidents, poor management, and our system of oil import controls. Natural gas rationing has been necessary because regulatory agencies, by keeping down price, have discouraged exploration and new supplies. Electricity brownouts are the result of poor planning, equipment and engineering difficulties, and construction labor problems. The environmental impact of the energy system is most serious, and efforts at lessening that impact are both feasible and important—but they are not generally responsible for our current situation. This is an undramatic view, and an irksome one in its insistence on the relevance of technical detail. But a complex system cannot be adequately understood by means of catch phrases.

At least five intersecting sets of issues have been raised by recent discussions:

1) Is there a current energy shortage, or is one likely in the short to medium run (say, within 20 years)? If so, what are our options (if any) for alleviating or accommodating it?

2) Are long-run energy shortages either inevitable or likely, and what can we do about them?

3) To what extent are environmental protection measures responsible for either the short-run or long-run problem?

4) To what extent do national security considerations and a concern for our international balance of payments constrain energy policy responses?

5) Which of our difficulties are caused by the underlying technology, geology, physics, and chemistry of energy, and which by the malfunctioning of our economic and political institutions?

Putting the question properly

It is quite uninteresting to know how many millions of tons of one mineral resource or another there are in the earth's crust. We will only become confused if we ask, "Will a given supply of energy 'be available' at such and such a time in the future?" Such questions are not well posed, and cannot be answered in a "yes or no" fashion. *Instead the question is: Given certain actions in the interim, what supply will be available at what cost?* (Economists call this relationship between supply and costs a *supply curve.*)

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Thus we need to know the answers to the following kinds of questions: What determines the supply curve for various forms of energy, and what do those curves look like at the present time? How rapidly can technical progress expand the supply available at any given cost? On what does that rate of technical progress in turn depend? How quickly will current use diminish the future availability of low-cost resources? How rapidly can exploration and development bring additional supplies on the market, and at what cost?

The use of energy, like the supply, also depends upon price. We have to stop thinking of "needs" and start thinking of "demand"—that is, how much of various kinds of energy households and industry will want to purchase at various prices.

In saying that we must examine supply and demand instead of needs and resources, I do not mean to suggest that energy markets can be counted on to work perfectly to balance production against use. These markets are currently hedged about with many restrictions and controls, both public and private. As a result, they may work very imperfectly indeed. Further, many energy markets have structural characteristics which should make us worry about how they would function with no controls at all.[1]* Identifying such actual imperfections and potential difficulties is essential if we are to explain the current energy situation, predict its likely future development, and prescribe appropriate policy responses.

A further precautionary word is in order. Many economic interests have reason enough to join in promoting the "energy crisis," and many of them have done so. Energy industries over the years have enjoyed the benefits of favorable tax treatment, import and production controls, and other public policies designed to encourage their growth.[2] These measures have all come under increasing (and partially successful) attack in recent years. The "energy crisis" can be used to justify the continuance of such programs as a means of averting the "crisis." In addition, rising environmental concern has recently forced many energy companies to undertake efforts they would have preferred to avoid, or blocked certain projects altogether. As a result, oil companies eager for the Alaskan pipeline, or desiring permission to drill off the Atlantic shore; electric utilities unhappy at tougher standards and new procedures; stripmine operators fearful of new regulations; and entrepreneurs who want licenses to import liquefied natural gas—all have joined in the chorus. In each case the argument is the same: Relax all these restrictions and

* All footnotes may be found at the end of this article.

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give us the go-ahead because there is an "energy crisis." Need one suggest that wise men would do well to examine such claims with the utmost care?

Current shortages—gas, oil, and electricity

Let us consider first the most dramatic of current situations—the apparent inability of some retail gas utilities, oil firms, and electric companies to supply all their contractual customers. Why have these shortages, blackouts, and brownouts come about? Are such events indicative of a larger "crisis"?

The natural gas situation has produced much controversy. The facts are relatively simple. But what do they imply? In 1954 the Supreme Court decided that the Federal Power Commission (FPC) did have the power to regulate the price at which pipelines bought natural gas from well owners for interstate sale. Since 1960 the FPC has undertaken a number of lengthy investigations in order to set rates for various gas-producing areas. Pending the outcome of these proceedings, the Commission established a complex system of provisional area rates and case-by-case approval of new sales. Many observers now agree that in part as a result of these regulations, neither the price nor the production of natural gas has risen in keeping with increases in both demand and production costs. While some allege a collusive withholding of gas reserves from the market, the large number of producers in each area makes this seem unlikely. An alternative view is that the FPC prevented the market from functioning by keeping price and supply below, and demand above, market-clearing levels.[3]

Regardless of which account one accepts, what we have here is hardly an "energy crisis." Instead there has been a serious, but highly specialized malfunctioning of our resource-allocating mechanisms in a particular industry.

Similar conclusions emerge from a review of the recently proclaimed East Coast oil shortages. In January a number of oil companies and distributors, most notably Texaco, petitioned several states to relax air pollution control regulations. These regulations set an upper limit on the sulphur content of home heating oil and residual fuel oil (used in power plants and other large installations). The oil companies argued that they were not going to be able to meet their contractual obligations because there wasn't enough low-sulphur oil available. The only alternative to lower standards, they said, was to have some people go without heat. This situation, too,

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was characterized as an aspect of the "energy crisis"—in this case, a result of overly restrictive environmental controls.

Yet in fact *most* major oil suppliers have been able to supply their customers. When Massachusetts granted temporary variances, only Texaco, its associated local wholesaler, and one other wholesaler applied for such exemptions. In Texaco's case, the difficulty appeared to be engineering and labor problems which delayed the completion of a desulphurization facility in Trinidad. The other applicant attributed its problems to delivery delays resulting from a strike at its major supplier's European refinery. Again, what we see is not an energy crisis but a highly particularized instance of managerial failure, miscalculation, or bad luck.

The demand for low-sulphur fuel has increased quite rapidly in recent years as state air pollution control plans have been implemented under the federal Clean Air Act. Most of these plans have put restrictions on the sulphur content of fuels burned in urban areas. As a result, those refining companies most dependent on high-sulphur crude oil have had to readjust quite rapidly. Some apparently have not been fully equal to the task. But on a worldwide basis, oil is not a shortage commodity. Current oil prices are high, due in large part to the successful cartel agreement among the nations of the Organization of Petroleum Exporting Countries (OPEC)[4]. If anyone wants to argue for inevitable long-term shortages, their impact remains hard to detect in current oil markets.

The United States, of course, cannot take full advantage of the worldwide oil supply and demand situation because we have a program of quotas that limit the importation of crude oil and refined products—and keep domestic petroleum prices and production at an artificially high level. In so far as we do have short-run supply problems, the quota scheme must bear much of the blame; recent White House moves to relax certain quotas suggest that the Administration shares this view. Thus any oil shortages experienced in this country in the near future will have been brought on mostly by our own policy instruments. To refuse to allow in enough oil to fill the gap between domestic production and demand would be ironic, and ill-advised. But such a situation would hardly be indicative of a universal energy crisis.

At the risk of repetitiveness, a similar story can be told about our recent electricity supply difficulties. The brownouts and blackouts of the past several summers are largely the result of labor troubles and of forecasting, technical, and management errors on the part of the utilities and their equipment suppliers. In the second half

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of the 1960's, the rate of growth of electricity demand increased in many areas. This increase left some systems short of generating capacity. Their planning had been based on demand forecasts that were too conservative. Given the long lead time necessary to build a modern generating plant, deficiencies could not be instantaneously rectified.

The utilities' task was not made any easier by the low reliability of the newest, and largest, generating units. Once a major unit did fail, the rest of the system tended to become overloaded, which helped to make additional breakdowns elsewhere more likely. Many utilities also experienced difficulties in bringing new units into service on schedule. Engineering and labor problems were endemic —especially at nuclear plants, which have commonly been years late in coming "on-line." Blackouts can be serious problems. They do have adverse social effects. But their occurrence does seem largely unrelated to the problems of natural gas supply and shortfalls in fuel oil stocks.

Environmentalism: obstacle or opportunity?

What role have environmental protection measures played in our energy problems? What is the relationship between energy supply and demand and environmental quality? Those who want to weaken or delay environmental controls over the energy system have emphasized this relationship. But is it really there?

It is clear that the energy system is one of the major sources of environmental deterioration in this country.[5] Air pollution, which can constitute a serious health hazard, is largely due to the by-products of combustion undertaken in factories, homes, automobiles, and power plants in order to produce energy. Waste heat from power plants is the main source of thermal pollution. Stripmining of coal produces major physical disruptions. Both deep and surface coal mines lead to acid drainage problems that make many streams unusable. Petroleum drilling and transport can lead to oil spills, often with significant ecological effects. Petroleum refining results in significant amounts of both air and water pollution. Atomic power plants present the hazards of normal and accidental radiation releases, as well as the difficulties created by the need to store (for literally thousands of years) their highly radioactive waste products. Uranium mining and smelting are also ecologically disruptive. Power plants and transmission lines can have a large aesthetic and environmental impact. And many of the newer energy technologies—e.g., petroleum

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removal from tar sands or oil shale, or the production of synthetic natural gas from coal—are also quite dirty.

Given this massive environmental impact, a cleaner environment will require a cleaner energy system. Such an energy system will be more expensive in terms of measured production costs. Achieving environmental protection will cost money and the resources that money can buy. But the apparent cost increase is not the whole story. If we have made the correct choices, we should be better off, not worse off, as a result of environmental protection expenditures. The resources employed should produce an improvement in environmental quality. People who decry the costs of pollution control spending, and fail to mention the costs we pay when we do not clean up, are suffering from an accounting myopia—a deficiency shared by our official National Income Accounts as well.

Suppose, for example, that the *apparent* cost of electricity rises because we have come to use more expensive lower-sulphur fuel in generating stations. This price increase will appear, in our conventional accounting system, to make consumers worse off. But much of this adverse effect will be spurious—indeed all of it will be if we have chosen wisely. When pollution control measures are undertaken, the *product* everyone receives when they buy electricity changes. We come to purchase *cleaner* energy. Yet this improvement in product quality will remain unnoticed in our accounting schemes. Apparent costs will go up—even if costs have not changed for energy with a constant level of environmental impact. We could try to make allowances for these effects, but in practice we do not.

There seems to be little question that, as currently mismeasured, the cost of energy has already begun to increase in the last year-and-a-half due to environmental efforts. In many places electric utilities are buying more expensive, lower-sulphur coal and oil. Generating facilities are being equipped with better—and more expensive—cooling systems to avoid thermal pollution, or additional systems to control smokestack emissions. Automobiles now come with emission control devices that add to their cost. Mine safety laws for underground mines and the mild regulation of stripmining in a few jurisdictions have probably contributed to recent increases in coal prices. It is entirely possible that cleaner electricity could cause cost and price increases of 25 per cent to 100 per cent.[6] Automobiles built to pollution requirements now scheduled for 1975 could easily be $100 per year more costly to own and operate.

But these expenses will hardly precipitate an energy crisis in or of themselves. On the contrary, as energy prices increase to more

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accurately reflect the environmental costs of energy production, we can expect that the demand for energy will be *smaller* than it would otherwise be. Recent statistical studies suggest, for example, that the long-run response of consumer electricity purchases to electricity prices is somewhat greater than previously believed. Indeed, they suggest that, eventually, a 10 per cent price increase will produce a decrease in demand of more than 10 per cent.[7]

Clean energy: scarce or just more expensive?

Possible price increases are not the only link between environmental concerns and the "energy crisis." The most often repeated claim is that we simply won't have "enough" raw energy sources of any kind (fuels) or energy conversion devices (electricity-generating plants) unless environmental protection limitations are relaxed. This claim sometimes takes the form of a recitation of the energy production activities where environmentalists have raised objections: stripmining, offshore oil drilling, construction of the Alaska oil pipeline, nuclear power plant safety arrangements, and power plant siting choices. A similar argument is that there won't be "enough" of those fuels (e.g., low-sulphur fuel oil) for which demand has been increased by environmental controls.

Since we lack both the data and conceptual formulations necessary to predict the behavior of world energy markets, it is difficult to move beyond informed speculation in such matters. Yet I find it very hard to believe that demand for cleaner fuel, produced more cleanly, will precipitate an energy crisis. Reasonable controls over stripmining and offshore drilling will not eliminate those activities. An environmentally superior method for bringing out Alaska oil might take a bit longer to put into operation—but it is not impossible. Insisting on such measures might mean that nations with a lower preference for environmental quality will expand their share of world fuel production. But in that case the issue is not one of worldwide oil shortage but one of autarky, or the special interests of American oil producers.

What about the supply of "clean" fuel? This question raises again the short-to-medium run prospects for the markets in low-sulphur coal and oil and natural gas. Given a moderate time to adjust, there is every reason to believe that the changing pattern of demand can be accommodated without stupendous price increases. At cost penalties of under 25 per cent, we can desulphurize oil. Also, large reserves of low-sulphur crude oil are available, for instance in the

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Middle East. Higher oil prices would also encourage the development and use of natural gas, which is cleaner. And new combustion techniques for coal, as well as systems designed to clean sulphur from smokestack gasses (both under development), could help considerably by lessening the demand for low-sulphur fuels.

While it is hard to find "the crisis," it is not hard to find serious environmental problems in the energy sector. Given the imperfections of our allocational mechanisms, we could screw up badly in the process of moving to a new equilibrium—as recent events demonstrate. The results of such failures could be quite serious. This prospect should spur a detailed re-examination of our procedures and practices. This is a less dramatic but potentially more valuable exercise than expressing "concern" at the "crisis" in a "major policy pronouncement."

Power plant controversies

No area of energy/environment interaction has been more visible and rancorous than the debates over the siting, licensing, and safety of power plants. While many of these arguments have revolved around nuclear plants, conventional facilities have also been involved, as in the cases of the plans to dam the Colorado River to produce power and the complex of coal-fired generating units at Four Corners in the Southwest. In the Northeast we have had debates over the Storm King plan for the shores of the Hudson and the Tocks Island dam on the Delaware River. Examples could be multiplied. But what does all this have to do with the "energy crisis"?

As in so many cases, the problems of power plant siting come down to a matter of tradeoffs: What do we care about and how much are we willing to pay for it? Electricity demand almost surely will continue to increase for the foreseeable future. The rate may be slower or faster due to price changes, new inventions, changes in taste, and so on. But demand will grow. Over half of all electricity is consumed not by households, but in the process of providing all manner of goods and services. For many of these industrial and commercial electricity users, there is no available substitute. As the economy expands then, so will electricity use. Even if we maintain the recently attained ZPG rates of fertility and mortality, production will have to expand for the next 70 years just to sustain per capita living standards. It will take until then for our population to stabilize at its long-run equilibrium level.

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Since electricity is generally such a small fraction of production costs, even major electricity price rises will require only quite small increases in most industrial prices. This helps to make the electricity demand of industrial customers less sensitive to price changes. In addition, the sectors of the economy that do use the most energy tend to be processors of primary materials: metals, petroleum refining, paper, and the like. These products are often purchased by the ultimate consumer only after being transformed into still other goods, for which the materials are only a small fraction of the cost.[8] This makes the consumption of materials themselves less price-sensitive, and reduces still further the effect of the electricity price changes on industrial demand.

As we demand more new power plants from the economy, the question becomes, what kind to build and where to build them? We can spend more or less on environmental protection. We can choose whether or not to suffer different environmental effects depending on the cost and value of preventing them. We can vary the plants' location, technology, design, and fuel. A choice should depend on what benefits we get for various expenditures and on what we are willing to pay for various results.

In the United States today, however, the process by which we make such choices leaves much to be desired. The AEC passes on nuclear generating plants and the FPC on hydro projects. There are also state and local agencies, which are the only ones with authority to control fossil-fuel plant sites. No one of these entities is in a position to insist on rational consideration of all plans and options on a regional basis. Yet only such an analysis can illuminate the relevant tradeoffs. Further, any site choice can be challenged in the courts. Under the current court interpretation of the National Environmental Policy Act (NEPA), each decision connected with choosing a site and licensing a plant is conceived of as separate "major federal action." The Act requires the acting agency to prepare and file an "environmental impact statement" for each such decision. Procedural and substantive failures to comply with this Act have, in several notable cases, been the grounds for successful environmental challenges to power plant projects.[9]

Have we at least found the "energy crisis"? Does it lie in the inability of electric utility companies to get new plants approved and into operation due to environmental objections? Is NEPA the real villain of the piece? Even if this were the case, it would not contradict the major thesis of this article. Like the other problems reviewed, power plant siting problems arise because the society relies

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on cumbersome and ineffectual mechanisms for dealing with a particular resource allocation problem. If we have any crisis here, it lies in our institutions.

In fact, however, environmental controversy cannot be seen as the only, or even the major cause of our recent generating capacity problems. Despite some well-publicized debate about nuclear reactor safety, and despite several court decisions, it is poor forecasting, engineering errors, delays in equipment deliveries, and labor troubles that have been more important in bringing about these recent events. Where environmentalist pressures have hindered utility companies, this has not necessarily been an "evil" or the environmentalists' "fault." Perhaps the plant *should* have been held up. If the utility companies only took the requirements of NEPA more seriously, and did their homework better, they might face fewer problems.

I am not trying to argue that the environmental problems of the energy system are trivial. They are serious indeed. But in most instances the technology for significant improvement is at hand. We could make meaningful improvements if we were willing to pay the cost. There is much room for improvement and a need for further research and for the development of new technology. It would be nice if cleaner power were cheaper than it is today. Solar power, atomic fusion, breeder reactors, environmentally less destructive methods for processing oil shale and tar sands, new steam cycles (like magnetohydrodynamics), and many other options are worth exploring more vigorously than we have done to date.

Even if some or many of these possible developments should turn out well, we will still have very difficult choices to make. Improving technology is not enough. We also have to create new institutions and procedures to resolve these questions more adequately. But again, even a number of difficult problems does not necessarily constitute a "crisis."

It is sometimes alleged that environmental protection itself will require more energy. This is said to imply that environmentalists are especially inconsistent, unreasonable, and self-destructive when they oppose new power plant construction. For example, a recent television commercial for a consortium of New England electric companies makes just this argument, suggesting that sewage treatment and mass transit are pollution control strategies that will require expanded electricity supply.

There is no question that some environmental protection measures will lead to a net increase in energy use. Sewage treatment plants

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and power plant cooling towers will use power to pump water that might otherwise be unpumped. Some new cars designed for emission control apparently will have notably lower gas mileage. On the other hand, while a new system of electrified mass transit in a city might increase electricity use, it would cut down on gasoline use and, if intensively utilized, probably save energy on balance.

Our previous analysis suggests that slight variations in energy demand, which is all that is at stake in most instances, are not crucial to the argument. Only increased automobile gasoline use is even potentially significant quantitatively. And it is only a "problem" if one worries very much about having higher oil imports. But then, should we worry about such imports? Are *they* at the heart of the "energy crisis"?

Regulating oil imports

Today a bit less than 30 per cent of our petroleum supplies come from imports, and these imports are controlled by an elaborate system of restrictive quotas which limit the amount and type of various products that can come into each area of the country. Much of this oil comes from nations which are members of the Organization of Petroleum Exporting Countries (OPEC), which, in addition to the Arab states, includes several African, Latin American, and Asian members.

OPEC operates as a cartel to advance the producing nations' economic interests. Almost invariably oil development is carried out by one or more groups of major international oil companies, who pay various taxes and fees to the host countries. OPEC's members generally bargain jointly about some of the terms of such agreements. The resulting uniformity helps to lessen international competition and facilitates the stability of resale prices. This allows the major oil firms to "pass on" the taxes to the ultimate consumer.

Nature has been kind to the Middle East. Over 50 per cent of the world's known oil reserves are in that area.[10] Favorable geology makes that oil cheap to produce. Low transportation costs due to the development of very large tankers mean that in many cases it would be less expensive to expand oil production abroad and ship it here than it is to produce additional oil domestically. Current differences between domestic and world prices substantially understate these cost differences, since OPEC now imposes taxes and fees equal to 10 times the real costs of production.[11]

The impact of relaxing the current import quota system would de-

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pend on several contingencies: how OPEC behaved, additional oil discoveries, the pattern of Alaskan, Canadian, and U.S. off-shore development, improvements in the technology of alternative energy sources. Under most plausible scenarios, however, a substantial increase in U.S. petroleum imports would occur, and imports would claim somewhere between 50 per cent and 70 per cent of the U.S. market. Supporters of the quotas contend that this would be a very bad thing. The quotas, they say, help to "avert" the energy crisis by increasing domestic oil production. They argue that the system limits our "highly dangerous dependence on politically unreliable Arab sheikdoms" and minimizes the threat of both political and economic blackmail.

In practice, however, the whole scheme of petroleum development incentives in the United States—favorable tax treatment, production limitations, import quotas, and so on—just has not achieved its avowed aim. U.S. petroleum output has not kept pace with growing domestic demand. And barring a truly stupendous (and very unlikely) new discovery, it cannot do so without steeply rising costs, due to the increasingly adverse geology that we can expect to encounter as exploration continues. Even the defenders of the current quota scheme envisage some increases in the market share of imports above existing levels. The argument, then, is over what constitutes a "safe" level of import dependence, and whether quotas or a more conventional tariff system is the best technique for achieving these aims.

It's chic to fear the sheiks

It has been three years since a special Cabinet Task Force recommended an end to the quota system—a recommendation which the Administration has studiously ignored. The Task Force undertook an exhaustive study of the national security question, and concluded it was not a major problem. In 1971 the United States satisfied *less than two per cent* of its domestic energy requirements, and less than four per cent of its oil needs, with oil imported from the Middle East and North Africa. Compare this with the position of other industrialized areas, which is illustrated in the table on the following page.

In 1972 U.S. imports from the area in question appear to have been over 30 million tons—implying an energy dependence a bit over two per cent. In any case, we clearly are in a very much more "secure" position than anyone else in the world. In light of these

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1971 Energy and Oil, Use and Imports: In Millions of Tons of Oil Equivalent[1]

	Annual Energy Use	Annual Oil Use	Oil Imports	Oil Imports from M.E. and N. Af.
U.S.	1634.1	715.4	198.8	24.5
Canada	145.2	77.0	38.5	13.5
W. Europe	1049.7	652.1	668	537.0
Japan	292.3	220.0	231	192.8

[1] Source: *B.P. Statistical Review of the World Oil Industry* (London, 1971).

numbers, great concern about even a major rise in North African and Middle Eastern imports seems out of place. As a nation we have become so used to energy self-sufficiency that many political and business leaders appear to become quite irrational at the prospect of even very modest moves in the direction of a position others have long occupied.

The fears that have been expressed seem all the more unreasonable in light of the broad spectrum of political views among Middle Eastern and North African oil-producing states. Iran and some of the sheikdoms are very conservative—even feudal. Libya is run by a revolutionary military junta. How likely is it that enough of these nations would ever sufficiently agree on any political aim to be willing to pay the very high costs of an effective voluntary supply shut-off? After all, Iran continues to sell oil to Israel. If OPEC cannot or will not halt these transactions, what issue could unite them against us? If such a tactic were ever employed, it would have to be nearly universal to be effective. This makes its success still less likely, since the incentives for any one regime to gain short-run sales and long-run market share by not cooperating would be enormous.

The quotas are often billed as an "insurance policy." Recent years have surely established that not every invocation of the "national security" automatically justifies any expenditure. Some programs are too expensive or ineffective or both. The oil import quotas, which raise the price of oil to American consumers and hinder the response of supplies to changing and growing demand, seem clearly in this class.

Supporters of the status quo respond that the OPEC nations could agree on the need for higher oil prices. Thus quotas are urged as a mechanism of keeping down import prices. This argument is like asking a person to commit suicide in order to avoid a murder threat. Why embrace exactly that contingency which is to be

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avoided? It seems quite foolish to accept continually higher prices from now on in order to avoid the possibility of higher prices at some time in the future.

Without quotas, if OPEC were foolish enough to price themselves increasingly out of the U.S. oil market, then U.S. production would expand further under the impetus of normal business forces. Only lower-price producers can force others to keep prices down. Such an event seems quite unlikely—after all, why should OPEC want to do that? Thus the possible harm of higher prices in the two-to-six year interim during which U.S. output expanded would seem a contingent cost worth risking. Compare this to the certainty of major resource misallocation if we have protection and high energy prices throughout. At most, some inexpensive measures to facilitate that re-expansion might be called for (e.g., seismic work and exploratory drilling done by the U.S. Geologic Survey, directly or on contract).

Weighing the impact on our trade balance

Would (or do) expanded oil imports pose insuperable problems to our trade position? The U.S. balance of payments position has steadily declined in recent years and now no longer shows a surplus even on the direct trading accounts. But the role of oil should be kept in perspective. In the 12 months ending with November 1972, only $4.2 billion of $55 billion in imports went for petroleum and petroleum products (a bit over seven per cent). At the same time, $7.9 billion went for automobiles and parts. By comparison $6.3 billion went for food, $18.2 billion for manufactured articles and goods, and$6.9 billion for machinery.[12] How can one contend that any major expansion of oil imports which did follow abolition of the quotas would be an insuperable problem? It would make as much (or little) sense to restrict the number of imported cars. Oil imports are just not all that important to our trade situation.

The trade figures do suggest that the international competitiveness of U.S. industry leaves something to be desired. But this situation is not one that can be adequately handled by trying to protect a domestic industry which suffers from a clear comparative disadvantage. If American trade performance is to improve in the long run, such a turnaround needs to be based on those areas (e.g., micro-miniaturized electronic assemblies) which can exploit the nation's "natural" advantages in high technology. Unfortunately, from a trade viewpoint, the defense and space sectors have absorbed a disproportionate share of the available stock of technical personnel. This

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use of skilled manpower resources has meant that the ratio of technical personnel to industrial workers is *lower* in American civilian-sector industries than it is in some other major industrial nations. Changing this situation, not propping up the oil import quotas, would seem the priority policy problem for those concerned with balance of payment prospects.

Suppose, in the absence of quotas, that the United States does not sell enough abroad to pay for expanded oil imports. Further devaluation of the currency might then be called for. This would lower the price of U.S. goods, making them cheaper for buyers abroad and raising the price of imports. Given underlying cost differences and the large margin of tax revenues in OPEC oil prices, it is unlikely that even very large devaluations would make U.S. crude oil production so competitive as to completely drive out imports. The exact outcome would depend on how the exporting nations changed their taxes, and hence prices, in response. But however that might turn out, the issue will remain: "How much imports?"—not "Imports, yes or no?" Yet all of this is a discussion of what might happen in a future crisis—the current "crisis" still has not revealed itself.

Entrails and printouts

What of the future? Prophecy, like politics, makes for strange bedfellows. Energy company executives have been joined by radical critics in proclaiming that we are rapidly "running out" of available resources, so that "things cannot go on as they have" in the long (or not-so-long) run. Modern oracles employing computer models instead of dead birds have looked into the future and seen inevitable resource constraints on economic growth. This argument has a 200-year-old tradition in economics, going back to Malthus and Ricardo. Has it at last become correct? Even if there is no immediate "energy crisis," will one occur just a few years down the road?

On examination, such proclamations of doom seem poorly grounded at best. The computer models are super-simplified, and based largely on arbitrary assumptions. In such exercises, with appropriate postulates, you can make the answer come out as you wish. Barnett and Morse in a careful study some years ago found that, to date, effective energy supplies have expanded more rapidly than energy demand.[13] As a result, energy costs (and prices) have generally declined throughout the last 50 years. Major technical innovations in exploration, mining, transportation, processing, and

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conversion are responsible. To argue for limits and inevitable crisis is to assert, explicitly or implicitly, that the mechanisms which have produced such changes in the past will fail to operate in the same way in the future.[14]

In the United States today, the administrative and market forces which shape technical progress in the energy sector are hardly beyond criticism. The increasing size and risk of the relevant research tasks has apparently discouraged some (but by no means all) private spending in a number of problem areas. Mistaken priorities, poor judgment, and low levels of government support would clearly slow or prevent the technical developments which will be required to falsify the prophecies of doom. We *could* fail. A tremendous capacity for historical blindness is required, however, to assert that we will surely do so. Many alternative technologies are being explored; the payoffs for success are very high. If they are too conservative, the OPEC countries could wait too long before selling their oil. Like former New England woodlots now being sold for subdivisions, oil, in 100 years, might be valuable only, or primarily, as a petro-chemical feedstock.

The true constraints on economic growth are not simple physical limits but rising supply curves. The problem is not availability, but availability at what cost. As prices rise, additional energy technologies become economically feasible. Depending on the environmental constraints we impose, solar power, oil from tar sands and oil shales, breeder reactors, and gas from coal will all become much more competitive if energy prices double. It is confusing, and confused, to ask, "Will we have the energy resources?" Instead, the question is, "What resources will we have at various cost levels, depending upon what else we want from the energy system besides energy (e.g., better worker safety and lower environmental impact)?"

Limits to the growth of demand

How rapidly will energy demand grow in the more or less immediate future? Until the mid-1960's, energy use in the United States increased more slowly than Gross National Product;[15] in recent years, it has grown a bit faster, in part because GNP itself has grown more slowly. (As a reference point, during the period 1950 to 1971, annual real GNP increases averaged out at 3.7 per cent.) The seven per cent (or higher) rate of growth of electricity use in many areas in recent years reflects a shift in the energy mix, due in part to the diffusion of household appliances (especially air condition-

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ing) and the increased use of electricity in both home and water heating.

Such growth rates may well be slower, not faster, in the next decades. Energy prices, which have declined for the last half century, will probably begin to rise in the years ahead as a result of environmental controls, and this will tend to depress demand. Many recent consumer durables have substituted energy for personal effort (frost-free refrigerators and self-cleaning ovens), but can our "household technology" continue indefinitely to become ever-more "energy intensive"? What will happen to the growth of energy demand as more and more appliances approach saturation in their diffusion? Much energy is consumed not by households but in production processes. Any trend toward shorter work weeks and lower population growth would act to slow energy growth by making fewer man-hours available for production purposes. In sum, countervailing forces are at work.

The world seldom cooperates to make forecasting easy. More leisure could mean more automobile use. Increased suburbanization would increase commutation and energy use—unless expanded mass transit intervenes. Multi-family dwellings lower energy use; single-family homes increase it. The changing role of women in the society lowers the birthrate, but expands the labor force and the demand for labor-saving, energy-using devices. Yet all told, it hardly seems inevitable that growth in U.S. energy demand will continue at or above historic trend levels for the next 100 years. Are we now becoming rich enough so that we will take a rising share of our expanded productive potential in the form of non-material benefits?

Who will pay the piper?

Blithe talk about higher energy prices does not fully resolve matters. How much will prices go up, and who will pay what as a result? Given environmental concerns and changing supply-demand balances, a doubling (or even more) of energy prices before the end of the century is a distinct possibility. On the other hand, with a few technical breakthroughs, some new reserve discoveries, or discord in OPEC, a very different sort of future might unwind.

If real energy price increases do occur, the income distribution implications are not attractive. Direct energy consumption is a necessity in a technical sense; that is, lower-income families spend

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a higher proportion of their income on energy than do higher-income units. Thus energy price increases will have a "regressive" impact. Like a sales tax on a necessity, they will impose a higher percentage burden on lower-income households.

Energy price increases will also cause increases in the prices of other goods and services. For any given manufacturing process, the energy directly used in production, and the energy used to produce inputs (and inputs into those inputs), will become more expensive. Modern economic techniques, notably input-output analysis, make it possible to analyze these effects. Even if all direct and indirect cost increases are passed on to the consumer, the results will be unpleasant but not disastrous. The energy-intensive goods in our society are basic materials, which consumers don't purchase directly. We buy our aluminum in beer cans and storm windows. As a result, the role of energy costs (direct and indirect) in most consumer goods is less than two per cent. A doubling of energy prices would produce a readjustment in consumer prices well within the range of recent price behavior.

As a nation we have had considerable experience with energy cost variations of this general magnitude. Today residential electricity varies in cost from $6.65 per 500 kwh in Seattle to $20.67 per 500 kwh in New York. Electric utilities with the most expensive fuel (in Alaska and Vermont) pay four or five times what the utilities in low-cost regions (Wyoming and Louisiana) pay.[16] We have managed to adjust to such energy price and cost variations without suffering disastrous dislocations.

Our export position too will not be seriously endangered by energy price rises. Obviously, we are all better off with lower prices if we can have them. But the price of an energy system that is less injurious to the environment is not so very high—provided we proceed efficiently and effectively. And the unpleasant distributive consequences of cleaner energy (and environmental protection generally) can be neutralized if we insist that any advocacy of ecological protection be accompanied by advocacy of effective income redistribution. In considering solutions for our energy problems, we must not ignore their distributive implications.

Where do we go from here?

The argument has been straightforward. There is not one vast, amorphous crisis, but a variety of specific difficulties. These problems are often quite distinct in origin. They derive not from physical

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scarcity but from the imperfections of our resource-allocating mechanisms. Environmental concerns are not primarily responsible, but environmental difficulties are serious indeed and will tax our capacity to adjust wisely. The national security and balance of payments arguments against expanded energy imports have been vastly overstated. Of all of American industry, perhaps only the energy companies, with their long practice in mobilizing public support for private profit, could have gained such widespread acceptance for these notions.

Yet on the basis of "the energy crisis" and other such slogans, we seem about to do irreversible damage to our one national resource which comes closest to being limited in a simple physical sense—our land. There is talk that the Administration will propose expanded offshore oil drilling, massive stripmining of eastern and western coal lands, and relaxation of urban air pollution controls in the name of national security and the "energy crisis." This would be exactly the kind of stupid, tragic, unnecessary outcome that we seem only too capable of imposing on ourselves. The source of our difficulties does not lie in an unkindly nature, the volatility of Middle Eastern political systems, or the cynical machinations of the gnomes of Zurich. It lies in our unwillingness to consider details, in our consumption of news as entertainment, and in the apparent limitations of our political and social choice processes when confronted with complex, technical problems. Now there we have a *real* crisis.

FOOTNOTES

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The uses and abuses of legal assistance

HARRY BRILL

THOSE of us who subscribe to the ideal of equal treatment under law for all citizens must agree that public money is well spent when it effectively reduces the disadvantages that the poor suffer under our present legal arrangements. Judged by this standard, the legal assistance program sponsored by the Office of Economic Opportunity (OEO)—whose uncertain fate will soon be determined in Washington—has been a success. By providing free legal services, its 265 agencies with their more than 900 neighborhood offices have improved the ability of poor people to defend their interests. Whether as defendants or as plaintiffs, the poor can now have highly dedicated and skilled lawyers to represent them.

In their role as tenants, many poor people can for the first time confront their landlords with dignity. As consumers, they are in a position to challenge unreasonable overcharges and other unscrupulous business practices; in fact, their chances of winning consumer cases have multiplied tenfold. Moreover, welfare departments and housing authorities—to cite just two kinds of public agencies that the poor encounter—can no longer anticipate that their practices will be passively accepted. Almost unheard of a decade ago, it is

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now quite common for a poor person to exclaim, "I will see my lawyer."

OEO lawyers are handling more than a million individual cases each year and winning the overwhelming majority of them. Their actual achievements, though, are even greater than the record shows, for pouring legal services into low-income communities does not merely win individual cases, it also has a deterrent effect. Faced with the possibility of legal action, people have begun to think second thoughts about mistreating the poor. Of course, the availability of legal services alone by no means eliminates the legal disadvantages of being poor. Other institutional sources of inequality persist—not least, certain characteristics of the laws themselves. Nevertheless, there does exist considerable law on the books to protect the poor, and by providing them with legal services, OEO has appreciably reduced a major source of inequality.

Not only is the program successful; it has also attracted wide support. And its supporters are by no means all liberal reformers or the poor themselves. Conservatives who believe the poor should have access to legal and peaceful means to cope with their individual problems consider it a worthwhile public investment. And the American Bar Association has also given the program a hearty endorsement—though, to be sure, the Association speaks partly from self-interest, since it realizes that under an adversary system the provision of legal assistance to those who are unable to pay also creates business for lawyers who serve paying clients. But however diverse the motives of the various endorsers, it remains a noteworthy fact that the program is approved by most of its attentive publics.

The question of class actions

The legal assistance program, then, might seem to be that rare and heartwarming case of a public program that does good, does good well, and does good without arousing fierce opposition. Yet since its uncertain beginning the program has in fact been embroiled in controversy. The controversy has not centered on the "traditional" individual case services which aid clients on a one-to-one basis, which are intended to resolve the legal problems only of the clients who are actually represented, and which make up the bulk of the program's work. Instead, almost all the debate has focused on the program's support of class action suits, which challenge general practices and policies of both private and public institutions. The few clients directly represented in these class

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action cases are said to be only a "legal sample" of larger numbers of people who are similarly situated. The few, then, may win major reforms on behalf of many others as well as themselves. OEO's class action cases have been instrumental—or so it is said—in righting a long series of wrongs: in overturning welfare residency requirements, restoring Medicaid cuts, and forcing business establishments to change consumer practices.

On the face of it, the controversy about the class action aspect of the OEO program hardly seems surprising. Conservatives, so the logic goes, and those with vested interests in our current political arrangements might well support a program providing legal aid only in individual cases of no broad impact; but that support would surely evaporate if OEO ever attempted changes posing a fundamental threat to the Establishment. And conservatives have indeed complained loudly about OEO's sponsorship of class action suits. Even those who have supported or learned to live with the idea of federally subsidized legal services find the use of public funds for large-scale attacks against any arm of the government itself a bitter pill to swallow. Moreover, some public officials whose agencies are threatened by class action have been outspoken in their opposition to such suits. This discomfort on the part of the Establishment has alone been sufficient to win class action a high repute among liberals, and to make its list of accomplishments seem especially significant. In addition, even apart from the howls of conservatives, many legal-minded reformers view class action as a quick and powerful tool for peaceful change in the system. So the class action controversy would seem a fairly straightforward debate between those who are willing to change the system for the benefit of the poor and those who are not.

But neither the moral outrage of the Establishment nor the vigorous defense of class action by liberals should in itself be taken as evidence of the success of this part of the program or of its benefits to the poor. The Establishment, for good reason, has by no means always criticized class actions so vehemently in private as it does in public. And liberals have ignored the various direct and indirect costs to the poor that class action suits have entailed. The activities of the San Francisco Neighborhood Legal Assistance Foundation—OEO's second largest legal service agency—are a case in point. Since the beginning of the poverty program, the Foundation has been a favorite child of the city's liberal constituency. To raise a serious criticism of any of the Foundation's activities has been taboo for anyone who does not wish to be labeled an arch-

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conservative. In this atmosphere—the atmosphere of many other cities as well—it has been virtually impossible for reform-minded citizens to consider the dark side of class action suits.

While serving as the Foundation's research director, I learned first-hand how great the disparity can be between an organization's reputation and its actual accomplishments. What the Foundation has done poorly, unsuccessfully, or not at all must be tallied alongside its real accomplishments. And such an accounting unfortunately reveals that the effects of the San Francisco Foundation's class action suits have been minimal or even harmful. It may be instructive to explore how this is so and why the organization has pursued these actions nonetheless.

The neighborhoods vs. the main office

The Foundation, like other man-made entities, operates on limited resources. An organizational commitment to pursue certain approaches must necessarily entail some sacrifice of other approaches. Since the Foundation is serving clients whose low income makes it virtually impossible for them to obtain legal services elsewhere, it is appropriate to weigh the costs to the poor of the services that are sacrificed.

The Foundation is composed of five neighborhood offices and a main office. The main office in San Francisco might have adopted any one of several notions of its proper role. It might, for instance, have served as a source of *ad hoc* and supplementary staff for the neighborhood offices. But instead, the main office chose to become a branch specializing in organizational advocacy. Its lawyers would devote their expertise to helping community organizations solve their problems and become stronger politically. Whether these organizations needed to be incorporated, advised on the legal implications of their actions, assisted in negotiations, provided with legal representation on behalf of their individual members, or rendered any other service that the Foundation could appropriately perform, the lawyers would be ready and willing. As time went on, and for reasons we will explore later, the range of functions that the main office lawyers actually performed for their organizations narrowed sharply. "Organizational advocacy" became a euphemism for class actions.

The neighborhood lawyers were not unaware of the implications these main office decisions had for the allocation of legal service benefits; indeed, this issue was a major source of conflict within

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the Foundation. The neighborhood offices, handling conventional individual cases, are deluged with clients. Anxious to give sufficient attention to each client while maximizing the number of cases they could process, these local branches consistently urged the main office to provide them with staff assistance—assistance which, because of main office preoccupation with class actions, was not forthcoming.

The local branches' obvious lack of interest in class actions convinced main office staff that their colleagues were legally provincial and that a few might even be committed to the status quo. Conversely, the neighborhood lawyers were irritated by this main office concentration on class action. Not only did the main office lawyers refuse to relieve the pressures on the local branches; they also attempted to persuade the neighborhood offices to assist *them* in generating class action suits. To their outrage, the branch offices were advised to cut or limit their caseloads and to develop antennae that might alert them to opportunities presented by their own clients for innovative class action cases.

The neighborhood lawyers considered their main office colleagues opportunists and publicity hunters. They were troubled that the pace of the main office was leisurely while their own was often frantic. Nor could they understand why the main office devoted so much time and energy to public relations. Most irksome of all was the great discrepancy between the number of cases they handled and the number handled by the main office. While a community-based office would process a few hundred in a given month, the main office might still be in the midst of preparing a single class action suit.

The main office repeatedly argued that even though in the short run resources were being shifted away from direct benefits to the poor, and even though fewer cases were handled than might have been otherwise, the class action suits justified themselves in the long run through the widespread benefits they conferred. But in fact this argument is by no means a conclusive justification. As the neighborhood lawyers realized, at least several hundred cases were being traded off for each class action suit. The investment in time and resources for a class action suit, particularly for research, is considerable. A single case may wholly occupy a few lawyers for an entire year. And just as important, the Foundation, like other legal assistance agencies, won extremely few of its class action suits but well over 75 per cent of its individual cases. Thus in terms of the likelihood of winning a legal victory, a single class action suit

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is equivalent to at least several thousand individual cases. These numbers alone leave a heavy burden of proof on the proponents of class action.

Moreover, it is not so clear that the objectives of class action suits are necessarily of greater value than, say, taking a landlord to court to rectify a dangerous safety hazard. And even the strongest argument in favor of class action—the wider nature of its benefits—is seriously open to question. Even in a conventional individual case, the client himself is not the only beneficiary. Word travels fast, and the legal activity of the neighborhood offices has already had a considerable deterrent effect. Still greater penetration of neighborhood legal services into the community through more individual cases would further sensitize the poor to their legal rights and also serve to warn others that the poor have legal protection. For these reasons the high costs of class action to the individual poor cannot be justified by any abstract argument; they must instead be justified by a showing of the actual social and economic gains that these large cases produce.

Hollow victories

Unfortunately, a very large proportion of class action legal victories do not in fact lead to actual social and economic gains. Unlike individual cases, in which favorable legal decisions are readily translated into real gains, class action involves more difficult hurdles —often insurmountable ones. The Foundation won several paper victories in which court orders were ignored because of an inability to comply. For example, the Foundation obtained a favorable decision against the Welfare Department's low rent allotment to recipients. The court ruled that it must be increased to a more realistic figure. The Department, however, was unable to comply without receiving assurances of additional funds from the state legislature. Though the Foundation made legal headway, no concrete gains were achieved for the people on welfare.

There were even instances when favorable decisions *were* enforced but still yielded little or no net gains for the poor. Take, for example, the Foundation's very important and celebrated participation in the defeat of the one-year residency requirement for welfare. This "victory," along with other developments in California, triggered austerity measures by the legislative and executive branches. Eligibility requirements were more vigorously enforced and tightened to exclude many poor people who had formerly been

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eligible; the new restrictions were so severe that, despite an increase in unemployment, the total number collecting welfare in California actually dropped. So the victory for the recently arrived poor in California simply came at the expense of those poor who had lived there longer.

The main office lawyers responsible for these welfare cases had followed a plan of action that backfired. They had argued that inundating the courts with class action suits was the best route to achieving welfare reforms. The idea was to force a crisis situation that would prompt the legislature and governor to liberalize welfare and provide more funds; the actual consequence was the opposite. Curiously, the lawyers had never considered this possibility.

A one-track commitment

Their preoccupation with class action has also led the lawyers to divert resources from other, probably superior ways of attacking the problems at hand. In general, the main office lawyers proceeded as if class action were always the best vehicle and sometimes the only one for improving the social and economic conditions of the poor. In a highly publicized case, one which was eventually lost, the Foundation brought a class action suit against the San Francisco Housing Authority to compel it to physically upgrade one of its projects. The liberal public applauded this action because it had been unhappy about the inadequate physical conditions of these projects. But its enthusiasm would have soured had it understood that the suit could not have changed these conditions one iota.

The operation of public housing is financed mainly out of collected rents. (Though some federal subsidies are available for project rehabilitation, they are woefully inadequate for the purpose.) Because the costs of operating the projects have been rising more rapidly than rents, the Housing Authority has been thrown into a financial crisis. Like many other public housing agencies, it has been in the red. Its debt has been growing largely because the soaring costs of material and labor for maintenance and repair have been rising without comparable increases in rent. It was not likely that the Housing Authority could free substantial additional funds for rehabilitation by streamlining its operation; the agency is considered among the more efficient ones in San Francisco. Nor was the agency wasting money as a result of corrupt practices. Not even the lawyers believed that the Housing Authority was guilty of such excesses. What then could a court order to the Housing Au-

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thority accomplish? To rule that it spend even more, and thus further increase its debt, would be like ordering its executive director to jump out of a window and fly.

The response of the lawyers to such criticism of their activities is that to do nothing changes nothing. But to point out that the Housing Authority alone is financially incapable of the massive rehabilitation and maintenance needed is not to argue for inaction. Rather it poses the issue of where energies might be more appropriately directed and whose energies should be primarily involved. Since San Francisco's public housing, like that of most other cities, is a federal program, Congress could appropriate funds for it. In fact, the lobbying activities of tenant organizations and their allies have been somewhat successful in this regard. The judicial route, on the other hand, is an ineffective one because the courts have no legal power to compel Congress to spend millions of dollars against its will. Instead of filing a class action suit, the main office lawyers could have assisted community groups to prepare a bill and advised them on lobbying strategies. This plan would have been consistent with the commitment they expressed to organizational advocacy; but it was not a plan that they chose.

The general question of whether to pursue the legislative or the judicial route to reforms is of course a subject of legitimate debate. The point here is simply that the Foundation tended to channel organizational clients toward the courts even when—as in the public housing case—there was nothing to gain, and, by diverting resources, a great deal to lose. There were other occasions when the judicial route was more appropriate but still less expedient than other actions would have been. Issues were translated into class action suits even when there were strong indications that a bill introduced into the state legislature and supported by a minimal amount of lobbying would have accomplished the same end more directly and swiftly. The lawyers on several occasions convinced community organizations to drop their lobbying plans in favor of court action. Yet it is almost axiomatic that legislative action offers a more enduring basis for reforms, since they are written into the law and marked with a clear stamp of public acceptance, rather than left to court interpretation.

The lawyers pursued this strategy even where it jeopardized the specific goals and the autonomy of the community organizations they presumed to serve. One community organization that was attempting to halt a major redevelopment project finally had to threaten the Foundation to get it to withhold legal action in the

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matter. Against the advice of one of the main office lawyers, the Western Addition Community Organization (WACO) was trying to pressure the Board of Supervisors to stop the project. WACO feared that a legal suit filed at this time would thwart its attempts to win a political victory. It argued that if the courts refused to hear the case, the Supervisors would be under less pressure to support WACO's demands.

The lawyers nevertheless insisted that the suit be filed immediately. Many difficult months had been consumed in preparing it, and they wanted to bring it to court as soon as possible. They were not moved by WACO's argument that a political strategy at the moment made better sense. Tempers were high. The lawyers seriously contemplated filing the case without WACO's permission; they would argue that WACO had already assented to the suit. WACO prevailed—but only by threatening to drop the services of the Foundation. Subsequent events justified WACO's strategy. The Board of Supervisors voted to stop the project. Though this decision was later vetoed by a lame duck mayor, the battle greatly strengthened WACO as an organization. Consequently, it was eventually able to force a considerable number of concessions from the redevelopment agency.

This episode was typical of Foundation behavior. The one-track commitment to class action, even when it might harm organizational clients, was characteristic of the main office lawyers. In a way, then, the Foundation itself became a barrier to social change.

Main office motives: the problem of audience

Why did the main office pursue this strategy, a course of action that was certainly not forced upon it by any obvious external constraints? It was not that they were indifferent to the fate of the poor; indeed, one reason for their persistence was that they were genuinely committed to reforming the Establishment and believed that class action was an all-purpose tool to achieve their goals. In fact, class action was eulogized and idealized by them with as much enthusiasm as direct action evokes among militants. The lawyers believed that, whatever its short-run limitations, the long-range consequence of continually battering the courts and the system would be to force changes favorable to the poor. This perspective made them much less prone to consider the various problems each particular suit presented, and made their faith in class action largely immune to defeat or criticism.

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This ideological commitment to class action suits led the lawyers to go beyond their role as organizational advocates providing technical assistance in support of policies set by their clients. Community organizations did not normally propose class action. The services that they did demand more often than not seemed either self-defeating or inconsequential to the lawyers, who thought that change was too crucial to leave to the inexperienced. Rather than acceding to their clients' wishes, they believed that they had a responsibility to educate them. In practice, this meant taking the lead and persuading community organizers of the merits of class action. The lawyers themselves had faith in the tool; changing their clients' minds, therefore, was justified.

But an ideological belief in the merits of class action does not explain everything the lawyers did. It is hard to imagine the simple belief in one legal tool causing them to be so indiscriminating in their choice of cases, so willing to rescind their immediate commitment to the organizations and the individual poor that class actions are supposed to serve. So it is not surprising that a further explanation for the lawyers' behavior lies in the way it enabled them to meet the various expectations of four different audiences—their client organizations, the Establishment, their professional colleagues, and the liberal middle-class public.

Lawyers and clients

These lawyers and their clients, first of all, were each other's captives. The lawyers were obligated to serve all clients that they could who were classified as poor. And since the Foundation had committed itself to serving organizational clients, the main office lawyers had to assist all poor peoples' organizations that sought legal aid. Moreover, the lawyers' special interest in class action made community organizations even more important to them. Though individuals directly represented in class action cases need not have organizational links, community organizations serve as a natural vehicle for developing these suits. They provide ideas and leads, they are able to produce the individual clients and assure their availability, and they can be actively enlisted in collecting data for cases. Moreover, to bypass community organizations on issues that directly concern them involves very serious risks.

Conversely, because they were generally unable to afford fees, organizational clients often had no choice but to deal with the Foundation. So although clients enjoyed the advantage of receiving

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free legal assistance, and the lawyers were able to earn a reasonably good income doing work they regarded as both socially important and professionally productive, neither side enjoyed free market relations and each side paid heavily for this. There were no easy ways of disposing of one another if they wanted to—and they often did want to.

A great many organizations that approached the Foundation were militant, and the relations that developed between their organizers and the lawyers ranged from the tense to the explosive. The militants had very definite ideas on how lawyers should behave. When illegal activities were planned, they admonished the lawyers about their responsibility to keep them out of jail. If the organizers were seeking more time, perhaps to organize their forces for battle, they wanted the lawyers to deter the Establishment from acting before they were ready. If they wanted the lawyers to assist in harassing public agencies for various political reasons, the lawyers were expected to conform. And no matter what the organizers demanded, they insisted that the lawyers respond right away. This was not at all a minor matter to the lawyers, as various militant organizations would sometimes contact their office several times per day.

The organizers expected conformity in style as well. If they walked out of public meetings, they would be furious if the lawyers did not tag behind. If the organizers wished to impress their members in court, they demanded that the lawyers behave dramatically. Similarly, if they chose to ignore their enemies, they insisted that the lawyers do likewise; organizers were frequently angry with the lawyers for being on friendly terms with those who represented their opponents. To the organizers the city was a battlefield, and the lawyers were almost always expected to prove in one way or another that they were on the right side.

The lawyers, who without exception were more moderate politically, had very different aims in mind—aims that brought them into serious conflict with their clients. The lawyers were anxious to help militant organizations which they believed had legitimate grievances by reducing tensions between them and their opponents. Their strategy was to provide militant organizers with access to the system by way of the courts. By translating social and economic issues into legal ones, they would make possible the peaceful settlement of potentially volatile disputes. All sides would gain: Both disruptive activities and the stern countermeasures often resorted to by the Establishment could be avoided. The lawyers frequently boasted to public officials and others about how they intervened to

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prevent disruptive and illegal activities such as sit-ins and even riots. To the militants, the lawyers proudly recounted how they were able to convince various Establishment representatives to listen, negotiate, and be more conciliatory. This, incidentally, was characteristic of how the lawyers behaved. They always attempted to show each side how successfully they were able to deal with the other.

Advocates or mediators?

The lawyers, then, defined their role primarily as that of mediators. Rather than representing only their organizational clients, they took a middle-ground position by acknowledging the legitimacy of some of their opponents' concerns and demands. Instead of seeking compromises only when they represented the best their clients could expect, they often sought compromises in order to be fair to both sides. At negotiating sessions they articulated the demands not only of their clients, but also of the adversary parties, and in the interest of reaching an agreement they were quick to call to their clients' attention what they felt were reasonable proposals from the opposition. Organizers frequently interpreted this behavior as a betrayal. It seemed to them that without prior permission the lawyers were diluting their demands, and that as a result they would eventually have to settle for much less than a firmer strategy would have won.

The mediating stance of the lawyers also came into conflict with the expectations of the organizers when the lawyers would offer their own separate formulas for settling disputes. To break a stalemate they often met among themselves to develop a program that they believed might be acceptable to both parties. Instead of first consulting with their clients, they occasionally met initially with the opposition to present their ideas. The lawyers naively believed that if they extracted an agreement from the Establishment first, they would be in a better position to persuade their clients. Also, they wished to communicate a message to public officials, many of whom wondered whether the lawyers would permit themselves to be controlled by the militants. Aware of these suspicions, the lawyers wanted to show that they had ideas of their own, and that these ideas represented efforts to settle rather than polarize disputes.

The organizers objected so strongly to the way the lawyers proceeded that they often rejected proposals they might otherwise have found acceptable. The organizers always resented the lawyers

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for initiating proposals, and they were usually horrified whenever they learned that the lawyers had first met with the opposition, without the organization's prior knowledge and approval. The good intentions behind the lawyers' attempt to absorb the militants into the legitimate political arena would backfire, and the organizers would have their worst fears about liberals confirmed. Many of them accused the lawyers of belonging to the enemy camp, and it became almost routine for the lawyers to have to defend their integrity as well as their actions.

The lawyers adopted a variety of strategies to cope with the differing expectations of these two audiences, but they did not have much success. They regularly spoke very differently to different people. They attempted to reestablish their credibility with their clients by expressing in strong language, both publicly and privately, their outrage over Establishment abuses. At the same time, they attempted to maintain their links with the Establishment by privately reassuring public officials of their conciliatory intentions. Also privately, they would on occasion make derogatory comments about their clients and decry their extremism. They believed that to be effective mediators they had to indicate to each side their sympathies for its position.

When their militant clients wanted to initiate legal actions that were highly charged politically, the lawyers sometimes refused to go along. They felt that suing the mayor for dereliction of duty, subpoenaing official documents to show evidence of corruption, and other extremely sensitive legal activities would impede rather than promote social change by increasing tension and possibly inviting retaliation. But not believing that community organizers would respond favorably to these considerations, the lawyers tried to convince them by means of their technical legal expertise. In other words, they gave their clients professional rationales for decisions that were really made on political grounds.

None of this stopped the organizers from accusing them of being tools of the Establishment—a label the lawyers appreciated no more than they enjoyed being viewed by the Establishment as lackeys of the militants. The absence of a true market relationship had created this dilemma. It permitted an unusual diversity of view and action between lawyer and client, by encouraging the organizers to make extravagant demands upon their lawyers, by giving the lawyers considerable independence in dealing with their clients, and by preventing either party from withdrawing from the relationship. If the lawyers were to build a workable relationship with their organi-

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zational clients while bound by these constraints, they had to find their way out of what seemed like an impossible dilemma: how to be militant and moderate simultaneously.

The class action strategy

Class action was the perfect strategy. It eventually won over many of the militants because it seemed to challenge basic practices and policies of Establishment institutions. They began to see parallels between what the lawyers were attempting to accomplish in court and their own activities in the street. The lawyers did what they could to reinforce this impression. Class action provided the lawyers with a politically militant language that justified their bypassing other legal alternatives, yet could still persuade the organizers that they were serious about their anti-Establishment convictions. Though the lawyers almost always initiated the idea of class action, the organizers tended to believe that in so doing the lawyers were responding favorably to their pressure for radical action. This made class action even more palatable to them.

What is more surprising is that—despite the public outcries of some officials—the local Establishment was not antagonized by the lawyers' class action strategy. Of course, public officials preferred not being attacked at all; but if being on the firing line seemed inevitable, they viewed class action as the least undesirable way to be attacked. In fact, there were numerous officials who, though publicly criticizing the Foundation, privately praised it. They thought that class action suits provided militants with a legitimate outlet for their dissatisfactions and frustrations. Many San Francisco institutions had been the object of direct action assaults, and to the extent that the Foundation was believed to be diverting the volatile energies of the militants into legitimate legal battles, it was regarded highly for playing a constructive role.

Many of those in power found class action relatively benign compared to the traditional case approach for two reasons. First, while the strategy favored by many militant organizers was to batter their various enemies with one case after another, class action was generally a one-shot affair. Even when the outcome was appealed, there was a considerable time lapse before the next trial. Public agencies did not have to be forever devoting their resources to litigation, nor were they as vulnerable to the bad publicity that a continuous barrage of individual cases could have precipitated. Furthermore, class action suits were less likely than a rapid-fire

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succession of individual cases to agitate a whole community, and thus build up the strength of militant organizations.

A second advantage of class action to the local Establishment was the Foundation's tendency to use it in ways that either avoided or minimized political pressures on the city. Community organizers tended to believe that a broad cross-section of the city's officials, agencies, and private interests held responsibility for almost any abuse the poor suffered. As they saw it, the failure to enforce housing codes, for example, reflected not only landlord negligence but also malpractice in the Department of Public Health, Fire Department, District Attorney's office, and the office of the Mayor as well. They thought that if the lawyers would legally pester these agencies with the individual complaints of community residents, the political motion these activities would stir could then be used to change conditions. The lawyers, who for good reason believed this approach would be a fruitless one from a legal point of view, generally attributed responsibility for abuses more narrowly. Thus the class action cases cited far fewer culprits than organizers originally identified. As a rule, then, the local Establishment was relieved by the decision of the lawyers to pursue a class action strategy.

The other audiences

Two other audiences—their professional colleagues throughout the country, and the liberal middle-class public—exerted a considerable influence on the actions of the main office lawyers. Side by side with their idealism, the lawyers possessed a great desire to develop their reputations. Class action was a powerful tool that could win them the respect and admiration of these audiences. To other lawyers they were able to display their legal acumen by skillfully preparing and presenting innovative and potentially precedent-shattering cases to the higher courts. And to the liberals, the highly dramatic anti-Establishment aspect of class action had great appeal. It offered the potential of bringing about major reforms without engaging in political excesses.

But these audiences are not reliable judges of the real merits and benefits of class action. The middle-class public, who were neither directly affected by the outcome of the Foundation's class action suits nor knowledgeable about legal issues, were readily impressed by the visible and superficial. The mere fact that the Foundation filed a class action suit on behalf of the poor, along with the strong

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tone and content of its public statements, was sufficient to win their enthusiasm and unqualified support. Lawyers across the country, on the other hand, understood the various legal issues involved in the class action suits. But, perhaps for reasons related to their training, the actual social and economic implications of these cases were often not clear to them.

Yet these were audiences the lawyers chose to act for, and this choice had serious consequences. For the main office lawyers, image making had a top priority, and it consumed a disproportionate amount of their energies. During the aftermath of press conferences, meetings, and other public encounters, the lawyers talked among themselves not about the issues they had addressed but almost solely about the impressions they had created. Whether they believed each other to be persuasive, sufficiently dramatic, or clever—these were more often the topics of discussion than the substantive issues they were being persuasive, dramatic, or clever about. In fact, their vanity was so routinized that the lawyers were unaware of anything unusual about their behavior.

This concern with image was also manifested in their highly competitive spirit, which in turn produced its share of envy, anger, and anxiety. On several occasions the competition grew so fierce that it provoked a great deal of verbal abuse. In one instance, a lawyer physically attacked a colleague who accused him of deliberately omitting his name from a press release. It is not that warm relations were absent among the lawyers; but along with their collegiality there was considerable tension. Mutual distrust was rampant. They readily suspected each other of seeking personal advantage—for example, by not sharing credit fairly.

Even the attention received by other OEO legal service programs provoked their jealousy. Publicly they praised the accomplishments of OEO's largest legal assistance agency, Cal-Rural, but among themselves they were indignant about Cal-Rural's better reputation, which in their view reflected only its superior public relations efforts. Amazingly, they claimed that Cal-Rural was too obsessed with public image. They seemed to be unaware of how image-oriented their own behavior was.

Idealism and deception

The lawyers' absorption in image-building might have been merely amusing and of no great consequence, except that it frequently conflicted with the best interests of their clients. Clients

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needed services that were custom-made. Image building promoted class action on an assembly-line basis. The specific needs of clients and the question of whether or not they really could gain from class action were incidental to the lawyers. They were concerned only with filing as many dramatic class action cases as possible. Among other things, this meant that they were constantly seeking out interesting issues and organizations that might help generate them. So they had little time or patience for community organizations that sought other, less dramatic kinds of legal service.

As might be expected, community organizations that were already mature and independent often refused to deal with the Foundation. The Mission Coalition, a powerful Alinsky-influenced grass roots organization in the Latin community, carefully defined the terms under which it would be willing to accept the Foundation's offer of legal assistance. Knowing the Foundation's reputation, it insisted that the Foundation provide whatever technical aid it needed without ever intruding on policy matters. Predictably, the Foundation lost its interest in working with the Coalition.

But a great many organizations that were neither strong nor sophisticated tended to become enveloped by the Foundation's activities. Whether they were battling against the lawyers, or assisting them in numerous ways (such as gathering material for class action suits), or doing almost nothing pending the disposition of a case, these community organizations were caught up in a process that was stunting their development and eroding their autonomy.

Corollary to this process, and perhaps as important, was the miseducation foisted on community organizers and their followers. Rather than assisting their clients to overcome their ignorance about the law, the lawyers were continually reinforcing it. No matter how irrelevant their clients' needs were to their choice of a legal strategy, the lawyers always tried to show how their actions or inactions were in the clients' best interest. So the lawyers developed an expertise in presenting distorted and falsified explanations to account for their behavior.

Miseducating the organizers about their legal options was fundamental to the selling of the class action strategy. Organizers were generally interested in improving conditions primarily for their own neighborhoods. The primary concern of the lawyers, however, was not the poor in a specific community but the poor who shared a common legal problem no matter where they resided. To sell the organizers on class action, the lawyers, for reasons they regarded as idealistic, misled them into believing that these suits were aimed

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primarily toward improving conditions in their own community, and that the suits offered the best possible means for doing so.

The lawyers believed that they had a mission—to devote themselves to bettering the conditions of the poor not only locally but across the state and nation. So if in service to their idealistic aims they breached professional standards of conduct, they experienced no remorse. Though they often felt unappreciated, the lawyers also felt proud of their efforts. They seemed unaware that in the process of doing what they did—falsifying, distorting, and withholding information—these idealists were becoming cynical operators who paid little attention to the means they employed. So the class action strategy the lawyers pursued victimized not only the poor and the organizations that served them; ultimately, the strategy also made casualties of the lawyers themselves.

It is important for those who debate the fate of legal assistance to separate in their minds class action from more conventional legal services. It would be tragic for those who are outraged at government-funded class action to assess and determine the future of the program as a whole on the basis of one of its weakest components. On the other hand, the poor and their representatives, who often tend to regard any attack on existing social programs as an attack on themselves, should realize that, just because something describes itself as a service to the poor, it doesn't follow that, in actuality, it is.

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Toward a definition of economic justice

LESTER THUROW

MODERN economics springs from the search for a definition of economic justice, but has largely abandoned that search. Thus, 19th-century utilitarian economists, such as John Stuart Mill, spent much of their time searching for the principles that would lead to a condition of equity. But by the 1940's, economists reluctantly came to the conclusion that there were no *economic* statements that could be made about equity. In this they were in agreement with moral philosophers and other social scientists that no ethical statements can be deduced from purely factual or purely logical statements—the only two kinds of statements to be found in modern economic theory. By the 1950's questions of economic equity were not even discussed in the basic textbooks, except to note that it was necessary for a market economy to start with a "just" distribution of economic resources. What made any such distribution "just" was left blank or was vaguely handed over to the political process.

For a time economists thought that progress could be made by shifting from utility theory, with all of its technical problems of quantification, to the analysis of choice and preference. An attempt would be made not to quantify utility, but simply to determine

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whether individuals preferred State A to State B. Individuals would rank different states of the world in a certain order of preference, and these different rank orderings could then be combined to make a social judgment about economic equity. Kenneth Arrow's impossibility theorem shattered this vision. He was able to show that there was no method of combination—no social decision rule (e.g., majority voting)—that could in all circumstances lead to a "social ordering" without violating some seemingly mild and reasonable conditions. As a result, even the political process could not handle the question of economic equity perfectly.

Such intellectual conclusions, however, neither obviate the need to make decisions about economic equity nor stop such decisions from being made. They are in fact being made all the time. Every time taxes are levied, or public expenditures are made, decisions about economic equity are being made. Even if governments had no public expenditures programs, the problem would exist. It is unavoidable. In market economies, individual preferences determine market demands for goods and services, and as a consequence determine the market distribution of income—but individual preferences are weighted by economic resources *before* they are communicated to the market. An individual with no income or wealth may have needs and desires, but he has no economic demands. To make his personal preferences felt, he must have economic resources. If income and wealth are distributed in accordance with equity (whatever that may be), individual preferences are properly weighted, and the market can efficiently adjust to an equitable set of demands. If income and wealth are not distributed in accordance with equity, individual preferences are not properly weighted. The market quite efficiently adjusts to an inequitable distribution of purchasing power.

To have no government programs for redistributing income is simply to certify *de facto* that the existing market distribution of incomes is equitable. One way or another, we are *forced* to reveal our collective preferences about the "just" distribution of economic resources. As a result, one basic responsibility of government in a market economy is to create an equitable distribution of income and wealth if it has not been produced by the market.

While the tension between the need to make decisions about economic justice and the intellectual desire to avoid discussion of economic equity can be suppressed, it eventually breaks out. John Rawls's recent and much-discussed book, *A Theory of Justice*, is the start of such an outbreak. As is usual in such cases, both the pessi-

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mism with which the discussion was abandoned and the optimism with which the discussion is reintroduced are probably excessive. The problem of specifying economic equity is simply a difficult problem to which there is no universal answer. At the same time, there are important arguments to be understood.

There are several directions from which one can attempt to specify economic equity:

(1) Reliance can be placed on process and procedures. An economic game is specified as fair or equitable when individuals agree on the rules of the game, and any outcome of that game is thus considered just.

(2) Individual preferences can be the key criterion. If the outcome of an economic game is in accordance with the individual preferences of the citizens of a country, the outcome is equitable. Equity is achieved when society reaches the distribution of economic resources that generates the most agreement.

(3) Merit, however defined, can be used to specify equity. Equity occurs when resources are distributed in the same manner as merit. In 19th-century liberal economic thinking, this would mean rewarding everyone based on his or her marginal product as determined in a free market place. The person who contributes most, gets most.

(4) Equity can be related to the common good, however defined. Equity is that distribution of economic resources that maximizes the common good. Substantively, the problem then devolves into one of determining the common good.

Obviously, any actual specification of economic equity can, and probably will, have elements of all four of these facets of equity. At the same time, there are problems with using any and all of these techniques for specifying a just distribution of economic resources. To clarify some of the issues surrounding the problem, I shall outline the fundamental reasons that have led economists to abandon their search for economic equity, examine some of the practical and intellectual escapes that have been proposed, and suggest a candidate of my own for a definition of an equitable distribution of economic rewards.

The undiscussability of economic equity

No one can deny that value judgments play an important role in specifying economic equity. Often this observation has led to the invalid conclusion, however, that economic equity is therefore undiscussable. Thus, one hears it said that there are economic

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statements to be made about the character of economic efficiency, but there are no economic statements to be made about the character of economic equity; there are only prejudices. But, in fact, statements about economic efficiency are not value free. They depend upon an underlying set of discussable value judgments, just as statements about equity depend upon an underlying set of discussable value judgments. In both cases, there are technical studies to be done once values are adopted.

Modern analysis of economic efficiency depends upon the acceptance of what our textbooks call Pareto optimality: State A is better than State B if at least one person is better off in A and no one is worse off. (A person is assumed to be better off in A if he prefers to be in A rather than in B.) In a weaker version of the same principle, State A is better than State B if those who are better off in State A could adequately compensate those who are worse off in State A. We move toward Pareto optimality when scarce resources are used in such a manner as to maximize potential output, which in turn maximizes potential choices. When efficiency improves, there is a larger bundle of goods and services (including leisure) that individuals can choose among. More is better.

All analysis of economic efficiency depends upon these postulates. All of these postulates are thoroughly ethical in nature. A value judgment is made that each individual is the best judge of his or her own happiness, and that more choices are always better than less. Without such value judgments, "efficiency" in modern economics ceases to have any meaning.

Paretian efficiency values were easily absorbed into economics because they seemed to be universally held. They are, after all, the values of a liberal-individualistic society. The invocation of value judgments that are universally held has been the traditional way to avoid discussing values. This occurs partly because we believe what is universally held does not need to be discussed, but also because values that are in fact universally held seem to be intuitively true and are often held to be facts rather than values. To many "more (choice) is better" is a fact and not a value.

We may all share such postulates, but this does not alter the fact that they are value judgments or elevate them beyond the realm of analysis. Take the inviolability of consumer preferences. Given the 19th-century belief in the existence of innate wants within the individual, the inviolability of consumers' preferences seemed sensible. Given modern sociology and psychology, the postulate of innate wants is no longer so plausible. We now perceive

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that every society or culture generates the "wants" of its population. Moreover, as our knowledge of how "wants" are generated improves, the activity of generating wants will increasingly fall within the domain of deliberate policies. Indeed, the debate as to whether our society should try to generate traditional economic "wants" or other life styles is currently under way.

As this example illustrates, various types of beliefs about matters of fact—psychological and sociological matters of fact, above all—can force alterations in values. Similarly, many economic beliefs about matters of fact can affect values. Two examples are: "Income equality is bad because it leads to less work," or, "Socialism is good because it stops an individual from acquiring economic power over other individuals." Before going to the barricades over either of these statements, a lot of hard empirical economic research and tough economic analysis must be done. Does income equality lead to less personal effort? Is economic power less concentrated under socialism? When does the adverse work effort effect set in? How should economic power be measured?

If "more is better" and the "inviolability of consumers' preferences" are both values underlying any analysis of economic efficiency, what are the values underlying the analysis of economic equity? The problem fundamentally depends upon whether you subscribe to Rousseau's belief that all men are by nature equal or the Greek belief that men are by nature unequal. It also depends on how you proceed to define these beliefs more precisely. The argument gets complicated, but it nevertheless does seem clear that a belief in the equality of men means that social and economic differences must be based on the conviction that such differences contribute to the common good. In other words, these differences must be justified as *functional.* They must be shown to lead to something else of merit that legitimates a departure from the norm of equality.

Traditionally, the American goal for economic rewards has been phrased in terms of "equal opportunity." But subscribing to equal opportunity answers only part of the problem. There is still the problem of determining (a) what economic game should be played and (b) what the structure of prizes should be. This involves two different determinations. Playing a mixed free-enterprise game does not say anything about the optimum structure of economic prizes. Markets can always be adjusted to yield almost any structure of prizes.

Nor is there any escape from such moral determinations via the

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route of "fair process." The "natural lottery" and "equal opportunity" are all variants of the fair process argument. But what constitutes a fair game? Do we let consumers' preferences determine the economic merit of an opera company or do we create, through education, a public demand for operatic performances? Is a fair game a game where each person has an equal chance to win? If chances of winning are to be equalized, do we handicap those born with advantages or compensate those born with disadvantages? What constitutes an equal start? Should every individual be subject to the same initial budget constraint? Consider inheritances. Is there any difference between the individual who inherits one million dollars and the individual whose athletic talents will earn him the same lifetime income?

As these questions indicate, the rules of the natural lottery are not intuitively obvious. The rules can only be specified when one knows the desired distribution of prizes to be generated. The rules cannot be used to determine the desired distribution of prizes, since lotteries or market economic games can be formulated to yield any distribution of prizes. The market may be a "fair process" to which most Americans are willing to submit, but it is necessary to stipulate some other principles to determine the equitable distribution of economic prizes within this game.

Aggregating preferences

The basic thrust of both nineteenth-century liberal thinking and the economics profession has been to seek specifications of economic equity in the aggregation of individual preferences, or "utility functions." Unfortunately, the process of aggregation has run into seemingly insoluble difficulties. Economists, therefore, have more recently been inclined to leave the problem to "someone else." The most recent "someone else" to attempt the isolation of a social welfare function is John Rawls. He uses a belief in process to establish both the natural equality of men and the optimum distribution of prizes. As in Rousseau, the natural equality of men comes from a social contract in which each man's signature is as necessary and important as anyone else's. But, unlike Rousseau, Rawls sees the structure of economic prizes as also being determined in the process of signing the social contract. Rules for distributing prizes are to be set on the assumption that each person, so far as he knows, has an equal chance of landing at the top or middle or bottom of the social order. Rawls argues that there is only

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one structure of prizes that everyone would be willing to accept: This is a prize structure that maximizes the minimum prize. In economists' terms, Rawls is asserting that every individual is (or should be) absolutely "risk averse." Everyone acts on the assumption that he will be getting the smallest prize, and thus wants to maximize the smallest prize. No one wants to take a chance on winning a larger prize. No one thinks about anything but his own prize.

Although maximizing the minimum prize seems egalitarian (Rawls believes it to be so), it need not be. Under this rule, I can undertake any project that raises my income by any amount so long as it also raises the income of the poorest group—no matter by how little. Rawls believes that the trickle-down effect is so large that it would be impossible to design economic activities that concentrate income gains among high-income groups. As an economist, I do not share this faith: The world is not divided into economic activities with no trickle-down effects and activities with substantial trickle-down effects. There are many economic activities with marginal amounts of trickle-down. To be really egalitarian, social rules would have to state that individuals must choose those economic activities with the largest trickle-down effects.

As Rawls's specification of economic equity indicates, a great many assumptions about preferences must be made to generate his desired distribution of prizes. The gambling man's preferences are illegitimate. Given that the economic lottery is a game where some prize is necessary to survive, the idea of a minimum prize makes sense (although there probably are some people who would be willing to take a chance on their own starvation); but maximizing the minimum prize is something else again. Empirical evidence would seem to point toward the viability of lotteries that do not maximize the minimum prize; people are clearly willing to bet a small part of their current prize (income) in exchange for a very small chance on a very big prize. Rawls is also forced to rule out the envious man. Suppose the worst-off man were envious. In this case, anything that lowers the income of better-off people faster than it lowers the income of the worst-off man maximizes the minimum prize. If envy were not ruled out, maximizing the minimum prize could lead to zero incomes for everyone.

The distinction between factual states and preference states creates problems for Rawls as it has for other philosophers. His golden rule is "do unto the worst-off man as he would be done unto." To some extent the worst-off man will be the man with the

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worst measurable economic position; but to some extent he will also be the man with the preference structure that is hardest to satisfy. To what extent should the distribution of economic prizes take into account the personal usefulness (utility) of those prizes? Should the man who is relatively inefficient in processing economic prizes—who gets less satisfaction out of his income than do others with the same income—get larger prizes because of his inefficiency?

Perhaps Rawls could convince us that the willingness to take risks, or that an interest in factors other than one's own income, is a perverse preference in the same sense that masochism is a perverse preference. But it is not obvious that this is the case. And Rawls certainly cannot persuade us that maximizing the minimum prize constitutes economic equity unless he involves something other than the process of signing a universalizable social contract.

Rawls has, however, isolated two important ingredients in a specification of economic equity. (1) *A belief in the natural equality of man (no matter how established) leads to the conclusion that deviations from economic equality must be shown to be beneficial.* The burden of proof is on those that advocate inequality. (2) If one is willing to assert that a rational man is risk averse enough to want to avoid suicide, then *some minimum economic prize is an essential ingredient in economic equity.*

Finding the Archimedean point

Rawls also implicitly focuses attention on another essential distinction in specifying economic equity. There is a difference between allowing individual preferences to affect the form of the social welfare function and making social welfare purely a function of individual utilities.

Individuals have different levels of preferences. They have preferences about the rules of the economic game and the distribution of prizes that it should generate; but they also have preferences about how to maximize their own utility in the current economic game—no matter how much they dislike the economic game they are forced to play. There is nothing self-contradictory, for example, in seeking to become extremely wealthy and powerful in our current economic game, yet believing that a better economic game would be one where there are no "extremely wealthy" prizes to be had. To distinguish these two levels of preferences I will call the one *individual-societal preferences* and the other *private-personal preferences.*

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This distinction makes it possible to avoid some of the problems in individualistic social welfare functions. Societies can, if they wish, discuss what constitutes economic equity without worrying about individual differences in the efficiency with which people process economic goods. A preference such as envy is ruled out, not because it does not exist and not because it does not affect private personal preferences—it does—but because society chooses not to take envy into account in its social rules, even though each one of its members may be envious. In their individual-societal preferences, individuals decide to rule out the private-personal preference of envy, since collectively it can lead to absurd results.

If social welfare is a function only of private-personal utilities, it is not in general possible to specify economic equity. Using our individual-societal preferences, however, we can make economic equity a separable problem, if we so desire.

More fundamentally, the whole "utility function" approach is misconceived in a world without innate preferences. The social welfare function is the place where society is supposed to make interpersonal comparisons—yet the individualistic social welfare function lets each person determine his own importance in social welfare. In addition, how does society determine that two people are equally happy? You cannot have an individualistic social welfare function unless utilities can be added together. To compare utilities, you need some "objective" criteria of when two people are equally well off. Utilities theory has been searching for its Archimedean point for a long time without success. In a world that does not believe in innate preferences, the search is futile.

It is, however, also unnecessary. Although the Archimedean point cannot be derived from private-personal preferences, it *can* be specified on the basis of individual-societal preferences. Socially, we simply decide that individuals are economic equals—i.e., are equally "happy"—under certain circumstances. Thus, the specification might say that individuals are economic equals when they have the same income, wealth, and family size. But whatever the conditions, the Archimedean point is clearly specifiable by an act of social judgment. In a similar manner, the optimum distribution of economic resources is socially specifiable even though it is not derivable from any aggregation of private-personal preferences. This is because the distribution of economic resources may itself be one of the factors in determining individual utility functions. Individuals may want to live in a society where economic prizes are distributed in some specified manner—even if they live (and

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express their preferences accordingly) in a society with a different scheme of distribution.[1]

"Wants" and "needs"

But what are our individual-societal preferences about the distribution of economic prizes? What kind of society do we wish to live in? At least since Marx, there has been a widely held belief that individuals do not need to have preferences about the just distribution of rewards. This belief is based on two related doctrines. The first is (a) the doctrine of "superabundance," and the second is (b) the doctrine of "satiated needs."

(a) In the doctrine of superabundance, equity decisions do not need to be made since the problem will wither away as we get richer. Economic wants will be satiated, each of us will have everything he wants, and no one will care what someone else has or does not have. Since all personal preferences will be satisfied, it will not matter that individuals have different preferences. With superabundance and satiated wants, Marx thought that both nation states and personal budget constraints would wither away.

Conservatives often subscribe to this solution of the equity problem, but they usually add a subsidiary proposition! To eliminate the problem of economic equity, society should concentrate on economic growth without worrying about the current distribution of economic resources. Do everything possible to hasten the day of satiated wants. Today's inequalities are then justified in terms of their contribution to such economic growth.

Unfortunately, our demonstrated ability to create new wants has eliminated the possibility—for both Marxists and conservatives—of ever being able to satiate everyone's wants. The problem of unsatiated wants is always with us. This means that the problem of specifying economic equity is always with us.

(b) In the doctrine of satiated needs, wants cannot be satiated but needs can be. Economic equity is achieved when the minimum economic prize is large enough to satiate the poorest man's needs. The U.S. poverty program is based on such a definition of economic equity. Its problems reveal the limitations of the approach.

[1] The distinction between individual-societal preferences and private-personal preferences does not, however, solve Arrow's aggregation problem. There is no perfect way to aggregate individual-societal preferences, any more than there is a perfect way to aggregate private-personal preferences. This simply means that no society can be based on unanimity of economic or political preferences. Some elements of coercion must exist when a social decision is made.

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The appeal in the doctrine of satiated needs is to physiological needs, as opposed to wants that are artificially generated by society or wants that do not serve some physiological need. What is the minimum amount of income a person (or family) would need to have a perfectly balanced diet and to have as long a life expectancy as is medically possible? This is the basic question. But problems arise, since the answer to this question yields a very low poverty line. Consider the cheapest medically balanced diet. By combining soybeans, lard, orange juice, and beef liver (edible, cheap, nutritious, but hardly enjoyable foods), a medically balanced diet can be created that costs less than $80 per person per year (in 1959 prices). It would be a better diet, medically speaking, than most of us now eat. But are we ready to compel people to eat it? Similarly, how much housing space per person is necessary to live to a ripe old age. The answer—very little. Are we then prepared to ignore the housing wants of poor people?

And what does society do about poor families that are ignorant, inefficient, or stubborn? Does a family have an unmet need if it does not know the cheapest way to have a medically balanced diet? Does a family have an unmet need if it does not want the diet that it knows it should have and can afford? Does a family have an unmet need if it simply refuses to eat an unappetizing or unusual diet?

Since the United States has very few people in poverty when poverty is based on such a definition of physiological "needs," the OEO's poverty lines were specified in terms of need—but need itself was defined in a relative manner, i.e., in terms of "wants." Given that a family is going to want to eat as other American families, and given that it is going to manage its resources in the same inefficient manner, how much income does it need to get a medically balanced diet (in spite of itself, if you will)? Given that it is going to want to consume something like the same amount of space per person, how much housing does it need? But the minute that "needs" are defined in terms of "wants," the concept of need loses its concreteness. Wants become necessities whenever most of the people in society believe that they are in fact necessities. Anything to which we have grown accustomed and that is generally available becomes a necessity. Needs, thus defined, grow right along with average incomes. Like satiated wants, satiated needs will not occur.

This phenomenon can be seen in Gallup polls which asked, "What is the smallest amount of money a family of four needs to

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get along in this community?" The responses are a rather consistent fraction of the average income of the time at which the question was asked—but the sum grows in absolute terms. As Lee Rainwater has shown, the answers to this question in the post-World War II period have indicated that families estimate their own needs to be a little more than half of the average family consumption of the day. Similarly, when Rainwater asks individuals to categorize people as "poor, getting along, comfortable, prosperous, or rich," they rather consistently do so relative to average incomes.

What sociologists call "relative deprivation" is a very real feeling in a liberal democracy. Studies in this area indicate that individuals have a very strong feeling that economic benefits should be *proportional* to costs (i.e., efforts, hardships, talents, and the like), but that equals should be treated equally. Since there are various types of such "costs" in any situation, and different rewards (income, esteem, status, power), the problem immediately arises as to how equals are defined and how proportionality is to be determined. This has led to the difficult problem of "reference group" determination. To what group of people do you compare yourself to determine whether you are being treated relatively equally and proportionally?

Reference groups seem to be both stable and restricted, in that people look at groups that are economically close to themselves. This explains why inequalities in the distribution of economic rewards that are much larger than inequalities in the distribution of personal characteristics seem to cause little dissatisfaction, and why people tend to ask for rather modest amounts if they are asked how much additional income they would like to be making. The happiest people seem to be those that do relatively well within their own reference group rather than those that do relatively well across the entire population. It also explains why studies such as those of Rainwater find immense anger at the welfare system among working people. Those on welfare are clearly a group where benefits are not proportional to costs, since they do not need to incur any costs (make any effort) to receive welfare.

The historical factor

Apart from obvious cases such as welfare, where benefits and costs are out of proportion, our conception of what constitutes proportionality and relative equality tends to be heavily determined by history and culture. Distributions of the past are fair until

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proven unfair. Great social shocks, such as wars and economic depressions, seem necessary to change specifications of relative deprivation.

This is evident in American history. The only recent periods of rising income equality in the United States occurred during the Great Depression and World War II. From 1929 to 1941, the share of total income going to the bottom 40 per cent of all families rose from 12.5 per cent to 13.6 per cent, while the share of income going to the top five per cent fell from 30.0 per cent to 24.0 per cent, and the share of income going to the top 20 per cent fell from 54.4 per cent to 48.8 per cent. From 1941 to 1947, the share going to the bottom 40 per cent rose further to 16.0 per cent, while the share going to the top five per cent fell to 20.9 per cent and the share going to the top 20 per cent fell to 46.0 per cent. In the Great Depression, an economic collapse was the mechanism for change. Large incomes simply had further to fall than small incomes. In World War II there was a consensus that the economic burdens of the war should be shared relatively equally ("equal sacrifice"), so the federal government used its economic controls over wages to achieve such relative equality. Wage policies during World War II were a manifestation of a change in the sociology of what constituted "fair" wage differentials, or relative deprivation. As a consequence of the widespread consensus that wage differentials should be reduced, it was possible to reduce wage differentials deliberately. After they had become embedded in the labor market for a number of years, these new differentials became the new standard of relative deprivation, and were regarded as the "just" wage differentials, even after the egalitarian pressures of World War II had disappeared.

The important thing to note, however, is that the new standards were not imposed by government on a reluctant population but were imposed on the market by popular beliefs as to what constituted equity in wartime. No one knows how to engineer such changes in less extreme situations.

The economics literature has the concept of relative deprivation, but under a different name—wage contours. Different groups of workers expect to be treated equally and to have a fixed structure of wages with respect to other groups. Historic differentials are to be observed. Labor economists report that observing these wage contours is the key ingredient in running any successful program of wage controls. In a situation like Phase II, it is much easier to lower the general level of wages than it is to alter wage contours. One of

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the major elements leading to wage inflation is the leapfrogging that occurs where wage structures start to get out of line with historic wage contours. One group gets ahead of its historic position and other groups attempt to reestablish their historical positions, or even to get ahead so as to "get even" for the initial violation of "equity." As with relative deprivation, the wage contour theory runs into problems in that it seems to be impossible to find general principles for determining why specific wage contours exist. They are heavily conditioned by historical accidents.

In economics textbooks, satisfaction springs only from a man's own income. In the real world, relative incomes seem to dominate absolute incomes in terms of making people satisfied or dissatisfied. Preferences are interdependent rather than independent. Psychologists would label the same phenomenon envy.

Relative deprivation, wage contours, interdependent preferences, envy—they all mean that social stratification is man-made, but that it is to a large extent self-perpetuating and autonomous. When opportunities for certain kinds of rewards are diminished, other kinds of rewards tend to receive more emphasis. If economic rewards are more equally distributed, differences in esteem, status, and power would probably receive more importance.

None of this means that there is no room for public incomes policies. All of these relative concepts are loosely held, with a range of acceptable outcomes. The economic room there is in which to maneuver also depends upon how fast changes are to occur. Historic relationships can change with least controversy if they change slowly and gradually. (Such a change has come about in the position of public employees in the post-war period.) This does indicate, however, that to a great extent the real economic lottery is a relative lottery. Higher incomes for everyone do not solve the problem. There is no specification of economic equity from which everyone will gain, since such a specification is bound to affect the historic shape of wage contours, and to create a sense of relative deprivation among someone, somewhere. Achieving economic equity will involve some individual losers as well as some gainers.

In short, the social specification of equity is a problem in relative income determination. There is no single distribution of economic resources that constitutes absolute equity, but there may be a distribution of economic resources that is more equitable (more in accordance with individual-societal preferences) than the one now in effect. If this new distribution of resources were obtained and digested, there might again be a demand for a new distribution of

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economic resources that was "more equitable." In any movement toward relative income equity, two constraints are to be honored—or, more accurately, not too badly violated—with respect to both the general distribution of resources and the minimum economic prize. Economic benefits are to be proportional to the individual's economic costs, and those who incur equal economic costs are to be treated equally. The exact specification of what constitutes "proportionality" and "equality" can, however, be gradually altered.

Economic merit

Within economics, economic merit has a precise definition—a definition that springs from the profession's interest in efficiency. Economic efficiency occurs when there are no changes that could be made that would make some people better off without making others worse off. If every factor is paid its marginal contribution to the total supply of economic goods and services (its marginal product), and if marginal products are determined by competitive supply and demand conditions, then economists can show that a market economy is efficient, or Pareto optimal. Any attempt to pay people other than their marginal products will lead to a situation where it would be possible to make changes where some were better off and no one was worse off. In Marxian terms, a factor that is paid less than its marginal product is being exploited; a factor that is paid more than its marginal product is an exploiter.

Abstracting from the problem that marginal products depend upon the initial set of market demands, one may ask: Can marginal productivity theories be used to specify economic equity? If every factor were paid its marginal product, would economic equity be achieved? To answer this question, it is necessary to answer three related questions. *Should* workers and capitalists be paid their marginal products? *Can* workers and capitalists be paid their marginal products? *Are* workers and capitalists paid their marginal products?

While there isn't perfect agreement among American economists as to the answers to these three questions, I will nonetheless attempt to summarize what I perceive to be the basic viewpoints and some important divergencies. There are indeed real divergencies in opinions, in part because the profession is ambivalent in its beliefs vis-à-vis marginal productivity.

Are factors of production paid their marginal products? No one has ever been able to prove that they are. In the mid-1960's I wrote a series of articles seeking to test the validity of the theory empiri-

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cally. According to these tests, factors of production do not seem to be paid their marginal products. Although I convinced myself, and the articles stand unrefuted, I did not convince the profession. There is still a general belief in the validity of the marginal productivity theory of distribution. Economists differ, however, in how widely they would cast the net of its applicability. Most economists would argue that specific individuals are not necessarily paid according to their personal productivity but that groups of individuals are paid their marginal products. Wage contours, envy, relative deprivation, what-have-you may explain wages within groups, but marginal productivity determines average wages. The disagreements arise as to how narrowly the groups can be delimited. As a general rule, the closer economists are to actual wage determinations, the more broadly would marginal productivity groups be defined. But however broadly the groups are defined, most economists would say that marginal productivity determines the broad structure of incomes and the direction of movement in the incomes of different groups.

At the same time, most economists would admit that competitive supply and demand conditions are often not met. Factors are paid their marginal products, but these marginal products are artificially high or low since monopolistic practices are used to limit the supplies of some factors and raise the supplies of others. To some extent, the distribution of economic resources reflects monopolistic marginal products rather than competitive marginal products.

Although it substantially undercuts the usefulness of marginal productivity, economists, when asked to explain the existence of unemployment, will often argue that marginal productivity is a theory of employment rather than a theory of distribution. This occurs since unemployment cannot theoretically exist in a competitive world where every factor is paid its marginal product. When marginal productivity is used as an employment theory, wage rates are determined in some sociological manner, but factors are then hired until their marginal products equal this sociologically-set wage or price. Factors are paid their marginal product, but wages or prices determine marginal products rather than the reverse. In this case, marginal productivity determines a group's income by affecting a group's unemployment.

Despite the problems associated with this idea of marginal productivity, economists are extremely reluctant to abandon it, since they do not know how to replace it and since it is central to much of the theoretical apparatus of economics. If it ever had to

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be abandoned, much of economics would have to be abandoned with it.

Can individual factors of production be paid their marginal products? All economists admit that there are three circumstances under which marginal products cannot be paid. If there are economies of scale in production, marginal products exceed average products and there simply isn't enough output to pay every factor its marginal product. If there are diseconomies of scale in production, marginal products are less than average products and there is a surplus after each factor has been paid its marginal product. In cases of joint production, factors cannot be paid their marginal products since marginal products cannot be calculated. (Whenever one unit of a factor is withdrawn from the production process, output falls to zero.)

In none of these cases are there economic rules for what to do. Some principle other than marginal productivity must be involved to solve the distribution problem. However, while their theoretical existence is acknowledged, instances of these three cases are thought to be rare. Most economies do not exhibit economies or diseconomies of scale, and cases of true joint production are hard to find.

The important constraint on the possibility of paying each factor its marginal product comes from the sociology of interdependent preferences. Labor economists would generally argue that it is impossible to pay each individual his marginal product. Individual morale and teamwork is essential in most production processes, and ignoring interdependent preferences would cause more disruption than it would be worth. Such problems tend to be dismissed by economists without experience in labor relations.

Should factors of production be paid their marginal products? While most economists would subscribe to the principle that factors of production should be paid their marginal products, they would not consider marginal productivity payments *ipso facto* a state of equity. They would go on to argue that a tax and transfer system should be imposed on market incomes to generate whatever distribution of income society thinks is equitable. The only major exception is the so-called Chicago school (George Stigler, Milton Friedman, *et al.*). They are for eliminating monopolistic marginal products from the economy, but they would consider competitive marginal products a state of equity. But from the vantage point of the non-Chicago economists, marginal productivity does not help specify economic equity. It only helps specify the instruments that should be used to achieve equity.

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From the standard economic perspective, tax and transfer schemes (such as the negative income tax) should be used if the distribution of economic rewards is to be altered. Anything else is not Pareto optimal. As a result, although economists may differ on the specifics of the proposal, there is an overwhelming consensus in favor of some variant of the negative income tax if income distribution is to be altered. By the same token, there is an overwhelming consensus against the minimum wage as a technique for altering the distribution of economic rewards. If people are hired until their marginal products equal the minimum wage, a higher minimum wage will result in more unemployment and consequently less output. Economies with minimum wages are not Pareto optimal. They can be altered in ways to make everyone better off, since they can be altered to produce more jobs and more total output.

Consequently, there is a broad agreement among economists that individuals *should* be paid their marginal product—but that these marginal products *should* be competitive marginal products. Monopolistic marginal products are ruled out, since they lead away from rather than toward a state of efficiency. These competitive marginal products may, however, be altered with tax and transfer systems to produce a distribution of economic resources that a society, at any particular moment, regards as equitable.[2]

Popular views of redistributive justice

When tax and transfer systems are compared with the principles of relative deprivation, problems emerge in achieving equity in the economists' preferred manner. To some extent the process (costs) of generating incomes plays a role in legitimizing incomes. People react differently to having tax-free earnings of $100 per week and to having earnings of $150 per week with a tax bill of $50 per week. Redistributive tax and transfer schemes can sometimes be cloaked with ethical legitimacy (Social Security wears such a cloak), but they more often are thought to violate the canons of redistributive justice.

In this context, it is instructive to compare the properties of Social

[2] While marginal productivity payments are in accord with the basic principles of relative deprivation (benefits are proportional to costs and equals are treated equally), they are at variance with envy and interdependent preferences. With interdependent preferences there may be no way to pay each person his marginal product. If the attempt is made, it is so disruptive that production and marginal products fall. As a result market incomes will be to some extent conditioned by interdependent preferences even if they should be generated by marginal productivity.

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Security with the properties of a negative income tax. Social Security preserves rank-order equity. The retired man who pays the most gets the most; the man who pays the least gets the least. Equals are treated equally, but there is not a constant proportionality between benefits and costs. Everyone must contribute, but in absolute dollars and cents the poor get a better deal than the rich.

The negative income tax also preserves rank-order equity. The largest income before imposition of the system will be the largest income after the imposition of the system; the smallest income will remain the smallest. Equals are treated equally. Once again, there is not a constant proportionality between costs and benefits—but in this instance everyone does *not* need to contribute to make himself eligible. Some people will gain benefits without incurring any costs. If you want to retire for a lifetime on the guaranteed minimum, you can. Under Social Security, you cannot retire without contributing.

Politically, the Nixon Administration attempted to paper over this problem with a set of compulsory work provisions in its Family Assistance Plan (a version of the negative income tax), but these provisions were perceived as unworkable, and probably were in fact unworkable. As McGovern found out the hard way, the negative income tax is as unpopular among the populace as it is popular among economists. Conversely, the minimum wage is as popular among the populace as it is unpopular among economists. It guarantees a minimum income for those that incur a cost (work) and helps keep the incomes of the poorest part of the population in approximately the same benefit-cost area as the rest of the population. It is felt that there is a relative income below which a man should not fall, but a man should be forced to work or save to earn that income.

Where does this leave us with respect to deriving economic equity from economic merit? Given that actual economic rewards are, and to some extent always will be, conditioned by relative deprivation, wage contours, envy, interdependent preferences, and the like, tax and transfer systems are not axiomatically the preferred method for altering the distribution of economic rewards. As noted, they were not the only instruments used during the one time that incomes were altered by public policies—World War II. Progressive taxes were imposed, but market incomes were also narrowed by narrowing the range of market wages, through government controls.

To the extent that tax and transfer systems are to be used to alter market incomes, the principles of relative deprivation should be

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remembered. Equals are to be treated equally, benefits are to be proportional to costs, and everyone with benefits must incur costs. Presumably the negative income tax would be seen as "fair" if it were offered only to those that have been working in the labor force and paying taxes for some period of time. This does not, of course, offer the same comprehensive solution to the problem of minimum incomes as a general negative income tax.

Substantively, marginal productivity does not help much in specifying economic equity. Its major contribution is to impose yet another constraint on equity. Whatever redistribution of income is to occur, rank-order equity is to be maintained. Market incomes get to determine who is the wealthiest person in society and who is the poorest person in society, even if they are not allowed to determine the absolute incomes of either the richest or the poorest.

The common good

The idea of the common good contributes to the specification of economic equity by isolating those distributions of economic rewards that contribute to other social goals. Thus, liberals and conservatives often argue whether social externalities flow from the distribution of economic resources. If social unrest, crime, riots, and other such phenomena are caused by maldistributions of economic resources, then these undesirable social events can be eliminated by altering the distribution of economic resources. Liberals often argue from exactly such a viewpoint—but the evidence, or lack of evidence, is on the side of the conservatives. There is little or no empirical evidence (economic, sociological, or psychological) showing such a connection.

But there are other considerations. In a political democracy, greater economic equality may be necessary to preserve political equality, if economic power can be translated into political power. Given the techniques for financing political campaigns in the United States, it would be hard to argue that a considerable amount of political power does not come out of the end of a dollar bill. But this does not automatically lead to arguments for economic equality. It is possible to design political democracies (such as the United Kingdom) where there is much less opportunity to translate economic power into political power. Presumably, the preferred technique would be to isolate political and economic power, so that economic power does not yield political power. As Veblen once remarked, the best argument for capitalism is that it allows indi-

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viduals to tyrannize their bank accounts rather than other individuals.

Economically, the common good is often taken to be a higher Gross National Product. Current inequalities in the distribution of economic rewards are then justified as necessary to promote growth, and to insure more income for everyone.

In the 1950's, economists extensively studied the conflict between economic equality and growth. The studies focused around a discussion of whether the high progressive tax rates that were then embodied in the federal income tax led to less work effort and less personal saving. Although the empirical studies of work effort and savings yielded similar results, only the work effort studies are relevant to the problem at hand. After all, economies can and do grow without personal savings. Saving is then done collectively either by corporate businesses or by government. Governments simply collect more taxes than they need for public consumption and invest the remainder. Personal work effort is a real constraint on economic growth, however, since collective work cannot be substituted for individual effort. And empirical studies are necessary, since it is not possible to determine theoretically the degree to which high progressive taxes might affect work effort. High taxes lower after-tax wage rates, leading theoretically to less work and more leisure; but they also lower after-tax incomes, leading theoretically to more work and less leisure. Much to the surprise of the initial investigators (several were employed by the Harvard Business School), the studies indicated that high taxes either did not affect work effort or might even increase work effort among executives and professionals. This result has been found in every succeeding study. People work as hard or harder to restore their previous incomes or to obtain their income goals.

With the current interest in the negative income tax, a series of studies have been commissioned on the effects on work effort of transfer payments in a system of negative income taxes. Most of these studies are not yet completed, but there are some preliminary results. Individuals who receive transfer payments and who are not faced with effective tax rates much in excess of 50 per cent work fewer hours per year and use their guaranteed income as a cushion to find jobs where they earn more than the control group. From a simple hours viewpoint, work effort declines; but from a growth and productivity viewpoint, work effort increases.

As a result, both high progressive taxes at the top and a negative income tax at the bottom seem compatible with economic growth.

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The present degree of inequality cannot be justified as functionally necessary to promote economic growth. Substantial equalization could occur before growth would be adversely affected.

Another element of the common good revolves around the provision of a limited number of goods and services. Whatever the reason, many societies—including ours—seem to think that medical care, education, and housing should be more equally distributed than goods in general, or that these goods should be subject to high minimums. This may spring from a belief that these particular goods are more basic to human existence and should participate more in the natural equality of man. But if, as a matter of right, societies want some goods to be more equally distributed than others, the only practical way to accomplish this in a market economy is through the public provision of these goods, either directly or indirectly. This involves income redistribution.

Economic equity

Since individual-societal preferences about the structure of the economic game and its distribution of prizes are continually changing as preferences are molded by history and culture, economic equity is not a static condition. At the same time, it is possible to consider the different facets of equity and come to the conclusion

TABLE 1. *U.S. Distribution of Family Income in 1970*[1]

PORTION OF TOTAL FAMILIES BY INCOME	PER CENT OF TOTAL FAMILY INCOME
Lowest Fifth	5.5
Second Fifth	12.0
Third Fifth	17.4
Fourth Fifth	23.5
Highest Fifth	41.6
(Top 5 per cent)	(14.4)

[1] Median income = $9,867, mean income = $11,106.

TABLE 2. *U.S. Distribution of Family Wealth in 1962*[1]

PER CENT OF TOTAL FAMILIES BY WEALTH	PER CENT OF TOTAL FAMILY WEALTH
Lowest 25.4	0.0
Next 31.5	6.6
Next 24.4	17.2
Top 18.7	76.2
(Top 7.5)	(59.1)
(Top 2.4)	(44.4)
(Top 0.5)	(25.8)

[1] Median net worth = $7,550, mean net worth = $22,588.

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that one particular distribution of economic resources is more equitable than another at some moment in time. The current distributions of income and wealth are given in Tables 1 and 2. What would constitute a more equitable set of distributions?

To be both concrete and provocative, let me suggest a set of more equitable distributions. These suggestions are not my personal "individual-societal preferences" about the optimum distribution of prizes, but are my interpretation of our society's revealed preferences, upon consideration of the four facets of equity.

While there is general social allegiance in the United States today to the fairness of the market process in determining incomes, this allegiance is not to marginal productivity payments but to marginal productivity as it is modified by wage contours, relative deprivation, interdependent preferences, and so on. At the same time, there is a general perception that the market does not generally meet the competitive axioms for many groups. The group that comes closest to the "natural lottery" is composed of white adult males who work full time and full year. In general, these workers do not suffer from the handicaps of race, sex, age, personal deficiencies, or adverse macro-economic policies. By examining their earnings rather than their income, the effects of inherited wealth can be eliminated. As can be seen in Table 3, the earnings for this group are more equal than the income distribution for the whole population. *Income dispersions would be reduced 40 per cent if the national economic lottery yielded a structure of prizes as equal as that now generated for fully employed adult white males.*

TABLE 3. *The Natural Lottery*

ANNUAL EARNINGS (IN THOUSANDS OF DOLLARS)	DISTRIBUTION OF WHITE MALE MONEY EARNINGS FOR THOSE WORKING FULL TIME AND FULL YEAR IN 1970[1]	DISTRIBUTION OF TOTAL MONEY INCOME FOR ALL INDIVIDUALS 1970[2]
0 – 1	1.7%	10.4%
1 – 2	1.3	8.3
2 – 3	1.5	6.9
3 – 4	3.0	6.8
4 – 5	4.4	6.2
5 – 6	6.8	6.7
6 – 7	8.6	7.0
7 – 8	10.5	7.8
8 – 10	19.7	13.2
10 – 15	27.9	17.7
15 – 20	11.2	6.8
25 & over	3.3	2.3

[1] Median = $9,223, mean = $10,218.
[2] Median = $6,670, mean = $7,537.

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Since adult white males who work full time and full year are the majority and backbone of the work force, the dispersion in economic rewards necessary to keep them working is certainly wide enough to keep the economy and other groups working. At least this much reduction in inequalities could occur without having to worry about adverse work effects.

I would argue that considerations of both "fair process" and the "common good" would seem to lead to a specification of this distribution as an interim equity target to which the economy should be slowly moving. The process is the market process, which is regarded as fair, and which clearly does not conflict with the common good of more growth and thus higher incomes for everyone.

An important question remains, however, as to whether public efforts should focus on restructuring market rewards or whether reliance should be placed on tax and transfer policies. My own view is that both will have to be used, but *the emphasis should lie on establishing an equitable distribution of market rewards before, rather than after, taxes and transfers.* The political unpopularity of universal tax and transfer systems, the experience of World War II, and the political popularity of minimum wage legislation all point in this direction. As the recent Social Security legislation indicates, there is a willingness to establish an adequate transfer payment income floor for those too ill or old to work; but as our experience with the Family Assistance Plan indicates, there is no willingness to do the same for those who can work. Those who *can* incur a cost *must* incur a cost.

While the distribution of earnings for fully employed white adult males may constitute an interim specification of general economic equity, it does not handle the minimum income dimension of economic equity. Using Rainwater's finding that the public basically believes that those who make a full-time effort should not have less than half of what the general population has, would lead to a minimum annual earning of approximately $5,000 for a fully employed head of a household. Such a number is also consistent with the belief that those who work should get more than those on welfare. At the moment, welfare levels for a family of four are in the neighborhood of $4,000 in most Northern urban states. Five thousand dollars conveniently preserves a gap. As Table 3 indicates, however, almost 12 per cent of the fully employed white male population makes less than $5,000 per year. This means there is a need for public policies to insure that no full-time worker falls below $5,000 per year.

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Examination of wage contours, relative deprivation, interdependent preferences, and the rest, would lead to the clear understanding that tax and transfer policies are *not* the optimum instruments for establishing this floor. The preferred method would be minimum wage legislation coupled with public employer-of-last-resort programs to guarantee that everyone who wanted full-time work at the minimum wage could have it. Since fully employed workers work about 2,000 hours per year, the minimum wage would need to be about $2.50 per hour.

Obviously, achieving a minimum earning for those with no wealth of $5,000 a year, and achieving a distribution of income above this level that is no more unequal than that now in place for fully employed adult white males, has implications for the distribution of wealth. It is at this point that the tax system plays its major role. A progressive wealth and/or inheritance tax system would be necessary to hold the distribution of income from wealth within the same proportions as that of income from earnings.

Since the top 14.5 per cent of the adult white fully employed males earns 28 per cent of the total earnings of this group, a wealth and/or inheritance tax would need considerably to reduce the current inequalities in wealth. The wealthiest 14.5 per cent of the families now have between 60 and 70 per cent of total wealth. This would have to go down to about 30 per cent. While a cut from 60 per cent to approximately 30 per cent is substantial, it is hardly confiscatory.

No one need agree with my specification of economic equity; but if there is one lesson in the state of the art of equity economics, it is that there is no way to avoid the problem of specifying economic equity. It is a problem that is not going to fade away. Our political history has been a verbal subscription to the ideal of equality coupled with the practical desire to avoid having to specify what constituted equity (i.e., an acceptable degree of inequality). As with all temporary solutions, this one now seems to be breaking down.

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"Sincerity" and "Authenticity" in Modern Society

PETER L. BERGER

THERE have probably been few if any previous elections in which the "sincerity" of the presidential candidates was as much of an issue as in 1972. In the middle of this political morality play, in October, the Harvard University Press published Lionel Trilling's new book, *Sincerity and Authenticity*. This is not to suggest that there is an immediate connection between the turbulence of the political scene and the (one presumes) tranquil refuges in which men of letters write books. (In any case, the present book contains lectures given by Trilling in the spring of 1970.) There are less immediate connections, though, and it is worth uncovering them for a better understanding of letters as well as politics.

Trilling's book, brief though it is, presents a masterful account of what could be described as a descent into the depths of the literary mind of the West. These "depths" are not to be taken metaphorically. Trilling's account begins with a world of still shining surfaces and intact edifices, which form the stable background against which Shakespearean heroes try to be true to their own selves. The account ends in the post-Freudian world of what Trilling calls "the authentic unconscious," a world in which all edifices are transparent and in which there are no more surfaces. It is the alleged "true self" of Western man that thus descends into "depth psychology." The drama is of world-shattering intensity. It begins with Western man understanding himself as the being that is a little lower than the angels, and it concludes with anthropologies such as those of Norman Brown and R. D. Laing, in which the "true self" is revealed in madness. Trilling describes all this with calm detachment. His account can be read as the story of Western man's loss of self, or alternatively as the story of his progressive liberation from myth and self-alienation. Only on occasion does it become clear that Trilling tends toward the former, the pessimistic interpretation.

The word "sincere," both in French and in English, originally meant no more than "pure," "unalloyed," as in "sincere wine" or "the sincere Gospel." It came to be applied to persons metaphorically, first to mean a consistency in virtue, then the absence of pretense. It was in this latter sense that sincerity became an absorbing interest in the 16th century. Whether in Shakespeare or in Machiavelli, there is the per-

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sistent question as to whether individuals are what they pretend to be. The longer this question is asked, the more it leads to a systematic interest in the hidden motives of action, to the "depths" presumed to lie below the surfaces of observable social life, indeed to "psychology." In the 17th and 18th centuries sincerity becomes both codified and *embourgeoisé*. The prototype of the sincere person becomes the "honest soul," who is identical with the *bourgeois gentilhomme*. In literature as in social experience, this character moves about the stage of what is now understood to be "society"—no longer the hierarchical, cosmically grounded order of Christendom, but a highly dynamic and ever-changing reality. The sincerity of the social actors now becomes the only means by which this unreliable reality can serve as an order of sorts. Still, in this universe of discourse the "true self" of the individual continues to be linked to the performance of public roles. This accounts for the "theatricality" of this world, from the elaborately staged scenes in the Versailles of Louis XIV to the (literally) ludicrous events of the French Revolution. In other words, to be true to oneself still means that certain social roles are truly (that is, sincerely) performed.

THE idea of authenticity emerges from the disintegration of sincerity. As Trilling describes the transformation, one may almost say that authenticity emerges as the opposite of sincerity. Now the "true self" is no longer placed on the stage of public roles, but on the contrary is made manifest only in resistance to these roles. In other words, while sincerity presupposes a symmetrical relation between self and society, authenticity implies a fundamental opposition between them. The *ens realissimum* of the individual is transposed from the external reality of social interaction to the recesses of inner space.

The age of authenticity, in Trilling's account, matures with the 19th century, heralded by Hegel and his praise of the "disintegrated consciousness." Hegel repudiates the "honest soul" because it is bound to the external structures of society and therefore represents an inferior phase in the movement of the human spirit toward freedom. Estrangement from society is the first step toward liberation, toward attaining the "true self." The contrast is clear: Sincerity is discovered *within* social roles, authenticity *behind and beneath* them. Needless to add, in the course of this transformation the quest for the "true self" becomes more violent and eventually more desperate.

Trilling follows this drama through the works of a number of authors, some of them preceding Hegel. The anguish of Goethe's Werther, Rousseau's self-portrayal as "a torn soul," Oscar Wilde's "truth of masks"—these, among others, are presented as anticipations and reiterations of the Hegelian theme. In all of them, the truth of man is deep within him, submerged in the inauthenticity of society (which is precisely the bourgeois world of "honest philistines"), and freed from this inauthenticity in wrenching experiences of alienation. There is a direct continuity of themes here between the *Sturm und Drang* of the romantics and the terrible freedom of Kierkegaard, Nietzsche and the 20th-century existentialists.

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In this perspective, the advent of the Freudian unconscious marks the final phase in the "disintegrated consciousness" celebrated by Hegel. The inauthenticity from which the "true self" must be liberated is now no longer limited to the external reality of society, but is introduced into that inner space in which the libido carries on its endless tragicomedies. Theatricality becomes psychodrama. In addition to the enemy without (society and its forbidding "reality principle"), there now lurk the enemies within, some of them introjected distortions of social reality, some of them figures rising out of the murky chaos of the id. But in a very real sense, Freud himself was still a *bourgeois gentilhomme*, still animated by a vision of some symmetry, however tenuous, between inner and outer space, between self and society. In this respect, the original project of psychoanalysis stands in continuity with the ideals of the French Revolution, its version of the discovery of the "true self" marked by the same faith in fraternity through reason. The celebration of libidinal insurrection in the currently fashionable radicalizations of Freudian doctrine implies a final repudiation of sincerity in favor of authenticity. In the ideology of many New Left intellectuals, authenticity and insurrection have been equated. The "true self" creates itself in the act of violent rebellion against the bourgeois order outside and the latter's "repressive" correlates within. (There is a built-in problem in this anthropology, namely the problem of how to be authentic and, one imagines, *non*-insurrectional in a world in which the revolution has been accomplished. But this problem need not concern us here.)

THIS is the main outline of the intellectual drama depicted by Trilling. The argument is fully persuasive and the depiction would be hard to excel (indeed, in sketching the outline it was necessary to resist the temptation to follow Trilling along any number of intriguing byways). Therefore, it does not detract from Trilling's book to say that its argument requires being rounded out by a consideration of the more mundane context of the intellectual drama. As it stands, the argument could easily be misunderstood as concerning a pale Platonic heaven, in which ideas and their purveyors knock against each other in isolation from the sweaty doings of the rest of mankind. In the early part of the book Trilling does mention two broad social forces that, he feels, assisted at the birth of sincerity. These are social mobility and urbanization. In one of the many asides that make this book a pleasure to read, Trilling points out that it was not by accident that the opposite of the "honest soul" was named the "villain"—a townsman engaged in the grubby business of clawing his way upward. But these sociological observations are only briefly made and then given up in the remainder of the book.

A sociological amplification of Trilling's argument will have to rest on a number of presuppositions that, clearly, cannot be argued here. The most important presupposition will be that, most of the time, ideas are grounded in social experience. To be sure, there are lonely thinkers capable of creating ideas that do indeed inhabit a

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Platonic heaven of abstraction. Such abstraction from the overall experience of society, however, is quite rare in cases of *successful* ideas. Although there can be no satisfying sociological explanation of why Hegel thought what he did—not even if each detail of his social biography were exhaustively analyzed—sociology can play a part in explaining how it happened that Hegel's ideas threw their shadow over an entire century of Western intellectual history. If sociology is relevant in seeking to explain the impact of a thinker of Hegel's stature, it is even more so with regard to lesser intellectual figures. In those cases, most of the time, ideas simply articulate and legitimate elements of social experience that antedated them.

To say this is not at all to suggest a simplistic social determination of ideas. Rather it is to emphasize the commonplace that the public for theories consists largely of people with much more practical concerns, and that even theorists have pre-theoretical experiences. If the question of sincerity seemed urgent to a certain public in the 16th century, there must have been something in ordinary social experience making this urgency plausible. Trilling actually gives us some indications of what this was. The same logic, however, applies to the later developments he discusses. Thus it would be unreasonably idealistic to think that the wide public existing today for interpretations of life in terms of alienation or unconscious mental processes can be explained in terms of the intrinsic if belated persuasiveness of Marxian and Freudian ideas. However powerful these ideas may be on an abstract level, their success must at least also be explicable in terms of more mundane interests. In other words, there must be some features of ordinary social experience that make it plausible for many people to interpret themselves as alienated and unconsciously motivated beings. Ideas do not triumph in history because of their intrinsic truth, but because of their affinity to pragmatic concerns and interests that usually have very little to do with the quest for truth.

Trilling's book deals with certain developments in the Western conception of self, or, to use the more current term, of identity. Conceptions of self are related to experiences of self, and these in turn take place within the context of specific social institutions. Put differently, identity is the result of identifications, which are social and institutional processes. Conceptions of self are efforts to answer theoretically the fundamental question, "Who am I?" Even the most awesomely abstract theorist originally asked this question as a child, and he will have received answers related very specifically to his location in society. What is more, the theorist will not find a public unless his conceptualizations are relevant to the questions arising from specific social experiences in a specific social situation. Therefore, Trilling's account of this particular Odyssey of ideas must be related to the institutional developments that have given these ideas widespread plausibility. These developments are the ones commonly called modernization. The transition from sincerity to authenticity is the ideational correlate of the modernization of institutions. The progressive sharpening of the tension between self and society

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implied by the transition points directly to a progessive crisis of the institutions of modernity.

PRE-MODERN societies are everywhere characterized by a high degree of symmetry between self and society, between subjectively experienced and institutionally assigned identity. Eric Voegelin has definitively described what this means in his analysis of archaic civilizations in terms of "compactness." This "compactness" was ruptured by various events long before modernity. But even medieval civilization (itself an attempt to create a new order following the ruptures brought about in classical antiquity and by Biblical religion) provided experiences of symmetry that are close to inconceivable today. If medieval civilization had one key principle, it was that of the *analogia entis*—the hierarchy of being linking each individual to the institutional order, to the order of angels, and finally to the divine ground of the universe. In this hierarchy both self and society possess a *reality* that, ultimately, is cosmically guaranteed. It should be quickly added that this need not at all mean that the individual is happy with his lot: Reality need not bring happiness. In this situation, rather, the individual experiences a world that is fully real, knows his own location in that world, and consequently knows who he is. The reality of the self and the reality of the social world are mirror images of each other. Because of the idiosyncracies of the individual and the accidents of his biography, the symmetry between the two realities is never perfect, is always a relative symmetry. Compared to what happened later, though, we can speak here of symmetry of a very high degree.

With the rise of modern institutions, these experiences of symmetry have been progressively shattered. Consequently, any conceptualizations of this symmetry have become progressively implausible, precisely because they have been deprived of their ground in ordinary social experience. All the major institutional developments commonly ascribed to modernity have contributed to this. The rationalization of economic life, beginning with the rise of mercantile capitalism, shattered the unity of life and work (a unity that was at the heart of the medieval hierarchy in terms of everyday experience). The order of Christendom, as experienced in the institutions of the feudal system and of the church, disintegrated under the impact of the dynamic new formations of the state and of a society of classes, as well as of progressively voluntaristic religious groupings. Social mobility, urbanization, and modern communications (beginning with the printing press) tore more and more people out of the closed worlds of face-to-face community and thrust them into situations where they had to rub elbows continuously with unpredictable, often incomprehensible strangers. Autonomous and immensely powerful worlds were created by technology and bureaucracy, which became the dominant institutional forces following the industrial revolution.

As Trilling points out, there is a peculiarly modern experience of "weightlessness" (Nietzsche said that the death of God has made

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men "weightless"). But the "weightlessness" of the self was preceded by an increasing "weightlessness" of institutions. This certainly does *not* mean that institutions have become less powerful: It is not power but *reality* that the institutions have lost. Indeed, the more powerful they became in their impact on the individual's life, the less real they came to seem to him. Institutions with vast power and defective reality take on the aspect of "weightless" phantasms. These can be perceived in a malignant mode, as figures of nightmare and alienation. They can also be perceived benignly, as occasions for freedom. In either case, they no longer serve as firm anchors for the individual's understanding of self.

ONE major effect of the modernization of institutions has been the pluralization of the worlds of social experience. More and more, and earlier and earlier biographically, individuals are thrown back and forth between grossly discrepant social contexts. Consequently, what experiences of symmetry there are, are unclear and unreliable: The mirrors are constantly shifting. As a result, both image and reflection take on an aspect of vertigo, that is, of unreality. As the individual becomes uncertain about the world, he necessarily becomes uncertain about his own self, since that self can be subjectively real only as it is continually confirmed by others. Put differently, as the social identification processes become increasingly fragmented, the subjective experience of identity becomes increasingly precarious. If nothing else, the old question, "Who am I?" then attains a new measure of urgency. The contemporary German social theorist Arnold Gehlen has given the term "subjectivization" to this new interest in the self, and he has very persuasively linked it to what he calls "under-institutionalization," that is, to the increasing inability of modern society to provide a stable order for its members.

Sociologists distinguish between primary and secondary socialization, between the processes by which the self is initially formed in childhood and subsequent modifications of this self in adult life. The modernization of institutions at first affected only secondary socialization. The family not only remained a firm context for primary socialization, but was even strengthened in this part. As Philippe Ariès has shown in his *Centuries of Childhood*, the early bourgeoisie produced a new family ethos and with it a new social experience of childhood highly conducive to the emergence of strongly profiled selves. In other words, the reliable world of the bourgeois family was interposed between the self and the fragmenting institutional order. This permitted a confrontation between a fully real self and the less than fully real world of institutions. The integrated self provided the "weight" (or, to use Willaims James's term, the "accent of reality") for society. This was precisely the situation in which sincerity was not only an interesting question but a genuine possibility.

At this stage of modernization there emerged the classical solution to the problem of identity in a pluralized world—the division of

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social experience into a public and a private sphere. In the public sphere, the sphere of the great modern institutions (notably the state and the economy), the individual relates to a plurality of experiences, none of which he fully identifies with. These fragmented experiences produce discontents, which in certain cases can well be described as alienation. The private sphere serves (one is almost tempted to say, "is designed") to provide a balance to these discontents. The individual cannot "be himself" at work or in his dealings with various bureaucratic agencies; he "goes home" to his private life from these frustrations and, if that private life has been satisfactorily constructed, he can "be himself" there. The central institution of this private sphere continues to be the family, though it has been vastly changed from what it was in the pre-modern period. Indeed, the family now becomes above all an institution for the production and maintenance of identity, and it is progressively robbed of (or, if one prefers, freed from) other social functions, such as its old economic and educational functions. Other institutional formations surround the family in its identity-maintaining activity. Some of them are also old institutions changed to meet new demands, such as the newly "privatized" church. Others are new institutions, such as the rapidly spreading voluntary associations, each one of them operating as an "identity workshop" for its adherents. As the public sphere continues to slide into unreality, the private sphere emerges as the major plausibility structure for the self and *ipso facto* for an increasingly sophisticated concern with subjectivity. The rise of the novel (not accidentally the bourgeois literary form *par excellence*) may be seen as the foremost literary expression of this state of affairs.

THIS classical solution to the problem of self and society under modern conditions has worked remarkably well for large numbers of people. Undoubtedly it still works very well for many people today. The noise made by intellectuals, with their professional penchant for dramatic desperation, should not be allowed to detract from this fact (quite apart from the likelihood that many of these same intellectuals are more desperate in their writings than in their lives). Yet there is a built-in instability to this solution, and this has become more evident in the more recent phases of modernization.

Precisely because the private sphere has no vital functions for the society at large, and because it is effectively segregated from political and economic life, it possesses a strange quality of arbitrariness. This term can be taken literally: In his private existence, the individual is the arbiter of his fate. He is free to a degree that, even in the most libertarian society, would be intolerable in the state and in the economy. He can marry whom he chooses (and he normally chooses in accordance with his personal notions of self-fulfilment), and he can have several consecutive choices. He can, within very broad limits, organize his home life as he sees fit, and raise his children by his own lights. He can exercise a choice of "religious preference" and similar choices within a broad and freely available spectrum of ideologies, moral and aesthetic practices, and therapeutic

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cults. Put simply, whatever may be the frustrations of the individual's experiences in the public sphere, in his private life he is free to a historically unprecedented degree—and this freedom has been steadily growing in the modern societies of the West.

This freedom, however, must endemically introduce more and more instability into that very private sphere that is the sole remaining ground for a stable self. The social history of the family since the industrial revolution is paradigmatic for this. It is in this sociologically very precise sense (and not in the perspective of "moral decay" or some other pejorative designation) that one must understand the interrelation of, for instance, divorce, permissive child-rearing, sexual emancipation, the loss of religious certitudes, and the faddisms of the ideological marketplace. Whether one regards all or any of these as morally deplorable or as humanly liberating, what they have in common is their social location in an increasingly unstable private sphere. All are both results and accretional causes of this instability.

Quite simply, this has meant that the private sphere has become more and more affected by pluralization, and has more and more lost its capacity to provide a stable social foundation for a "weighted" self. In consequence, the private sphere has been weakened in its function of interposition between the reality of the self and the unreality of the institutional world. Inevitably, this has threatened the reality of the self and deepened the turning inward that Gehlen calls "subjectivization." If nothing "on the outside" can be relied upon to give weight to the individual's sense of reality, he is left no option but to burrow into himself in search of the real. Whatever this *ens realissimum* may then turn out to be, it must necessarily be in opposition to any external social formation. The opposition between self and society has now reached its maximum. The concept of authenticity is one way of articulating this experience.

THIS, of course, is the point at which Trilling's narrative ends. It is the point of pervasive identity crisis. On the level of social experience, youth culture and counter-culture are foremost expressions of this. On the level of theoretical explication, legitimators such as Norman Brown and R. D. Laing will have to do in the absence of a Hegel. But it would almost certainly be a mistake to look at this phase as an end point. First of all, not all groups in the society are equally affected by this crisis. In America its primary locale is the college-educated upper-middle class, while the old solution has much greater resilience in other classes. More fundamentally, however, powerful countervailing forces are produced by the crisis itself. For better or for worse, one such force is a new hunger for stability and integration, felt most acutely wherever the crisis has been most cataclysmic. Put differently, the more there is an experience of alienation between self and society, the more there emerges a hunger for symmetry.

Authenticity is a lonesome business. There is, therefore, a powerful appeal to the old sincerities. This is one of the reasons why conservative politics has made surprising comebacks in the most un-

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expected places. This is particularly so in those classes of society which sense the decline of institutional stability as an external threat, without having fully experienced it subjectively. The conservative politician, in the role of "honest soul," can ride this tide of combined anxiety and nostalgia. But among those who have gone a long way in the internalized experience of institutional decline, this type of politics is likely to be seen as a mild palliative for a desperate condition. Much more desperate remedies will seem more plausible. Indeed, nothing will do except a restoration of some new version of *analogia entis*. The correct term for this yearning, in its political expression, is totalitarianism.

The essence of totalitarianism (a term that, incidentally, makes no sense if applied to any pre-modern situation) is the intention of overcoming the modern dichotomy of private and public spheres. In its "reactionary" form, the totalitarian impetus is to restore some real or fictitious symmetry from the past. In its "revolutionary" form, totalitarianism seeks the new symmetry in a utopian future. Either vision entails a new "at-home-ness" of the self in society, in contraposition to the alienation of modernity. It is an inherent necessity of either vision that the freedom of the individual (pejoratively, but very accurately, designated as *bourgeois* freedom in the vocabularies of both "right" and "left" totalitarian ideologies) must be surrendered to this new solidarity. To be sure, there is always a multiplicity of reasons why such totalitarian visions gain credibility in specific groups. One repeated reason is that they promise redemption from the anguish of the quest for authenticity. It comes as no surprise to the sociologist that intellectuals tend to be peculiarly open to this promise.

WHAT does all this have to do with the political events of 1972? Not much—*not yet*. Neither Richard Nixon nor George McGovern is an embodiment of totalitarian redemption, and it is a sign of the sanity (*bourgeois* sanity, let us add) of American society that the demand for such redemption in any version is very limited. But in Trilling's sincerity-authenticity continuum the two figures (probably for reasons that have little if anything to do with the intentions of the two men) occupy rather different positions. One may venture the hypothesis that the real issue of sincerity in the campaign was not so much the sincerity of the two candidates as that of the American institutional order. The vote for Nixon, in a very fundamental sense, was a vote of confidence in the continuing viability of the society—may one say, of the society of *bourgeois gentilhommes*? The McGovern movement, of course, did not seek revolution. Indeed, its New Left critics were quite right when they accused it of "co-opting" revolutionary impulses for very conventional political goals. Nevertheless, McGovern found his strongest base of support in just that college-educated upper-middle class in which the quest for authenticity has been most fully experienced and which, *ipso facto*, looks to politics for relief ("liberation") from the alienation that plagues it. This constituency is pretty much co-exten-

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sive with the group to whom the "greening of America" appeared to be a plausible project.

The 1972 election demonstrated, among other things, that this constituency is smaller than its ideologists had thought. American society is still much more a world of bourgeois sincerities than of the desperate drama of authenticity-versus-alienation. It is, if one prefers, less fully modernized than it seemed. Modernity exists side by side, everywhere, with multiple layers of pre-modern and early-modern experience and thought. There are people in Brooklyn who have never been to Manhattan, who worry every day about the evil eye, and who voted in this election on the basis of something they saw in a dream. All the same, it is in America that the forces of modernization have gone further than anywhere else. This is why the modern crisis of identity is furthest advanced here, both in its tangible social manifestations and its ideological articulations. It would be dangerous to assume that the mildly conservative and mildly "liberationist" options of 1972 will continue to exhaust the acceptable political field. If the crisis continues to deepen, more drastic political remedies may gain in plausibility. It is a slow-burning crisis, as old as the story in Trilling's book, but there are occasions when it breaks out in searing flames. The same crisis poses the fundamental political question of modernity—the question of how to keep in some sort of balance the reality of the autonomous individual and the reality of an institutional order. The rhetoric of 1972 has contributed little toward an answer.

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Can Inequality Be Cured?

NATHAN KEYFITZ

CHRISTOPHER JENCKS has raised in a novel and original form the old question of inequality. Underlying his book *Inequality: A Reassessment of the Effect of Family and Schooling in America* (*Basic Books, 1972, $12.50*) is the assumption that successive additions to a person's income provide diminishing returns in happiness, and hence that the simplest and most efficient way to increase total happiness is for the rich to give to the poor. No empirical data are likely to prove or disprove this statement. Everyone believes it in some degree; no one accepts it absolutely. Jencks knows that his data cannot decide such matters, and he is straightforward enough to tell us at the outset that equality is what he, personally, favors. We shall return to this basic point later. Meanwhile, there is much in Jencks's study that does have a substantial relation both to empirical data and to social policy in specific areas.

USING the large amount of research now available on income differences among individuals, to which he has added some research of his own, Jencks and his seven co-authors examine the extent to which those differences are traceable to schooling, to intelligence, and to home environment. Applying modern statistical techniques, they establish what part of income variation can be attributed to each of these three antecedents—and they find the part attributable to each to be small. In particular, they find income little affected by schooling.

High income may be *correlated* with schooling, but simple correlation is not what we and Jencks want; we need to know how much of income is *due* to schooling. After all, when we find a rich man with good schooling we may suspect that his wealth is more closely related to his father's wealth than to any independent effect of his own schooling. The well off buy more education for their children, just as they buy more automobiles for them; insofar as education is merely a consumer good, it cannot cause the higher incomes of the next generation any more than sports cars can. Jencks seeks the part of individual income variance genuinely attributable to schooling, and he estimates it to be only about 12 per cent.

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The result is puzzling and makes us ask how we ever got the impression that schooling is a chief means to upward mobility. Since intelligence and home environment are not easily manipulable as instruments of social action, schooling has been the hope of salvation for deprived individuals and groups. Can it have been such a means in earlier times, but be one no longer? Can schooling benefit the income of the community as a whole at all times—as most of us believe—even though no longer enabling individuals to rise in relation to their fellows? Oddly enough, both sets of propositions could be true and still be consistent with Jencks's correlations.

A parable will show one way of reconciling these seemingly contradictory relations. Once there was a nation, few of whose citizens went to school, in which those who did happen to be educated had high incomes while the rest were poor. Aware of this relationship, the more ambitious among the poor demanded that their children be admitted to the schools. The state yielded to this pressure and began to subsidize education. Now larger numbers went to high school and college, average income rose as education raised the general level of human capability, and variation in incomes declined. Subsidized schooling and other policies brought about a transition to the modern era. During the transition, educated people were in demand, and schooling was a means of social ascent for many individuals. But once subsidized education became widespread, the individuals who were more schooled could no longer capture for themselves much of the benefit of that schooling, and the correlation between income and education went down. Variation in years of schooling diminished, and a time eventually came when nearly everyone had a college degree. Long before that time, schooling differences among individuals had become small enough so that they could not possibly affect income.

This shows how education could become less effective as a means of reducing income inequality without being less useful to the community. The poor by definition are still those at the bottom—but they are at the bottom of the income distribution of a *rich rather than a poor country,* thanks in large part to the better education of themselves and others.

Income variation is an important enough matter to be considered by many sciences, each from its own viewpoint. In free market economics, everyone has the incentive to make his contribution as great as possible; his effort is added to a joint process; under competition he can appropriate to himself only the marginal contribution that he makes. Each of us is better off *just because* some of our neighbors are more productive than we are. If we accept the perspective of the free market, we reflect, when we see our neighbors' imposing houses, that their affluence comes from their higher productivity, and moreover that their productivity overflows and adds something to our income as well. This applies to minor differences between more and less skilled workmen, as well as to

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major differences between workmen and owners. There is not the slightest room for *ressentiment* or petty trade union spirit in this generous approach.

Opposed to it is the political view, associated especially with Marx, whereby the major variations of income are associated with class differences. Groups whose income derives heavily from property are in a position to appropriate large shares of economic output while producing little or nothing. They use what they take to improve their position further, until they have so concentrated power in their own hands and reduced themselves to so small a minority that they can be easily expropriated in their turn; thus inequality comes to an abrupt end just as it reaches its highest peak. This view assimilates the wealthy under capitalism with power holders of all epochs who maintain their incomes only by the continued exercise of force; it is an attack on inequality that lumps the chiefs of modern business together with colonial rulers, Roman emperors, the Pharaohs, and other such unpleasant people.

In contrast to both of these is Jencks's probability view of the present system. It disregards the free enterprise argument that by virtue of the force of competition the rich contribute more than they withdraw; it disregards also the Marxist charge of exploitation. High income ceases to be morally positive as in the former view or negative as in the latter; it is morally neutral.

Finding that only about 20 per cent of variation in income is accounted for by schooling, I.Q., and home environment, Jencks seeks the cause of the remaining variation—and fails to find it. Like the agronomist trying to assess the effect of the fertilizer he has applied to some plots and not to others, Jencks takes residual variation to be random, and he ascribes the remaining 80 per cent of variation in income to luck or chance.

Bridge players know that skill is important, but that there are cards with which the most skilled player can do nothing, and that luck sometimes gives him such cards; skill in bridge is therefore estimated by *average* performance. Engineers know that the most precise instrument has a margin of error, so that the measurement on a particular occasion is in effect randomly selected from a distribution of possible measurements. The agronomist designs his experiment so that he can make probability calculations afterwards, and he can properly do so provided he has allocated at random the plots to which the fertilizer or other treatment was applied. The allocation puts randomness into the experiment, and enables him to estimate with a specifiable degree of assurance just how much increase of yield was due to the treatment. He never denies that other causes of variation are there, and that these could be ascertained in further experimenting if it were useful to do so. But usually he does not care about these; if one variety of potato has five per cent higher yield than another and no disadvantages, he will recommend its use; his experiment was successful, even though it has failed to explain 98 per cent of the variance among plants.

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More broadly, the randomness in any statistical analysis is relative to the variables that are identified; it is *a randomness for the purpose of the particular analysis*—for finding out whether the identified variables have an effect that stands out above "noise." The concept of randomness has the negative use of stopping us from publishing a result on the identified variables that could have arisen by chance. But "chance" in this sense is a way of comprehending unidentified variables that we might take as clear and distinct causal agents if only we knew what they were. Neither in agronomy nor in social science is it to be assumed that the residual random variation of a particular analysis is inherently untraceable—only that it has not so far been traced.

To suppose that the portion of income variation not explained by the identified variables of schooling, I.Q., and home environment is *objectively* random, is to adopt the statistical model with a wholehearted literalness that embarrasses statisticians. Even those who think that randomness can be a property of the real world will demand infinite persistence in uncovering assignable causes of variation before they concede that any residual variance is really beyond all possible breakdown. They will be astonished at how positive a policy conclusion Jencks draws from his null result.

Thus, schooling the poor has been looked to as a means of increasing equality, as a mechanism that would retain and even augment the dynamism of American society. Jencks's analysis touches not dynamism but equality, and for this even the best existing schools give disappointing results. He pays little attention to whether the large unexplained variance of income may not be caused by some other variable that could be operated on to equalize incomes: newer educational techniques, childrearing practices, nutrition, vitamins. Having shown that schools make insufficient difference, he takes the direct approach: The *only* way to improve the lot of the poor is to give them money. That assertion could be true, and it is consistent with his data—but it does not follow from his data, and it could be false.

One of the refreshing features of the book is its concentration on individual rather than group differences. Much previous writing is concerned with incomes of blacks as against those of whites or of women as against men. If only the opportunities for the several groups could be equalized, we have been told, their average incomes would be equal; what we want is that all have a fair chance in the competitive race. Different mean incomes of recognizable groups are taken to prove that opportunities are not equal, and this is what bothers most of us who have been concerned about the matter. Once the inequality of opportunity is removed and the *averages* become the same for blacks and whites, men and women, then *individual* differences in actual incomes obtained become tolerable.

But they are not tolerable for Jencks. He wants to see us equal,

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not only in opportunity, but in actual income received and spent. Equalizing opportunity might make the statistical mean income for blacks and for whites identical, but it would leave half the individuals above the median and half below, and some by very large amounts. Schooling will at best equalize opportunity and may do little for actual receipts. School gives us a hunting license and it trains us to shoot; Jencks wants to see us come back with equal amounts of bear. His way of achieving his objective is to divide the bears shot among all the hunters. Whatever the sport, we are not merely to go into the game with no handicap, but we are all to emerge with the same score.

In Jencks's model of the business world, everyone contributes to production, whether in manual or mental labor; instead of being paid fairly for his labor, he is given a lottery ticket; when the wheel stops, some draw millions, others barely enough to live on. This view relieves us of the charge of viciousness; no one would say that the winner of a church lottery is "exploiting" the losers. Nonetheless, the proper policy, as Jencks sees it, is to reverse the effect of the lottery by recalling the larger prizes and redistributing them. Through such redistribution, the state would provide a kind of insurance that no private company has thought of offering; it would insure the child just born against the hazard of an unsuccessful career. Surely a life of poverty is a worse misfortune than having one's house burn down, and the case for income insurance is therefore even stronger than for fire insurance.

Jencks recognizes that such a redistribution policy represents a value judgment. It appears to be morally supported by his finding that income differences are due to luck. But redistribution could be supported by many other explanations of income difference. Two examples are offered below.

It has been said that a large part of the population is suffering in varying degrees from a debilitating ailment that causes, among other symptoms, great loss of earnings. The ailment is the more insidious in that those who suffer most from it are least aware that they have it. Though partly incurable, it is rarely a direct cause of death. I refer to stupidity. Now we no longer think it humane to punish people for their personal defects, and low income is certainly a punishment. Cure of the underlying condition may be difficult, but we can readily eliminate the punishing symptom by giving money to those affected. However, Jencks does not use this argument, since his correlations show incomes to be about as little related to I.Q. as they are to schooling.

Suppose, alternatively, that one's income is determined by one's parents. An expensive school may not do much besides making the youth and childhood of the wealthy young more pleasant, but many other devices are at the disposal of the rich to ensure the advantage of their children. Their knowledge of the system enables them to advise their children on career choice, especially on how to avoid a dead-end job. By influencing their children to seek favored points

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of entry into the system, and by influencing the system to give special treatment to their children, as well as by directly bequeathing their wealth, they generate a partly hereditary class. The various ways, both direct and devious, in which those at the top can influence the incomes of their children have bothered critics not only in capitalist countries but in socialist ones as well. That a privileged class can arise and perpetuate itself even after the abolition of private property has been made clear in the Soviet Union and Eastern Europe since World War II. Inequality arising in such a fashion could indeed be eliminated by redistribution; but the resistance is great.[1]

We have given three arguments for redistribution, each based on a different cause of inequality: bad luck, stupidity, or poor parents. Jencks's luck model is not unique in leading to the policy he favors. The accounting for poverty that his data reject—i.e., low I.Q. and poor homes—would support redistribution just as well as attributing poverty to bad luck.

That income differences are not imputable to differences in the quality and amount of schooling leads Jencks to advocate redistribution. Since he could have been led to it by other considerations, the low correlation of education with income is not, as he seems to think, a necessary condition of his argument.

More important, it is not a sufficient condition either. Many useful personal qualities are not measured by I.Q. and would fall outside even a much wider definition of intelligence. Suppose that success in business was somehow the result of being able to think more persistently about problems rather than to think quickly. Then, those would succeed who had the ability to focus their thought for long periods on a single issue, rather than those who could produce the best quick solution. Isaac Newton once said that he was not more clever than other men, but only that he could hold his mind longer on one point. This quality of concentration could be responsible for high incomes, whether achieved by legitimate or other means, as well as for scientific discovery.

A quite different component of personality is the disposition to look critically at existing methods of production, to be willing to reject them and replace them with new methods when that will increase the effectiveness of an organization. Much attention has been given to the role of innovation in the economic progress of

[1] The classical Marxist analysis is different from this and too radical to provide a case for redistribution. For it, inequality is one among many other bad features of capitalism, among them inefficiency in production, loss of creativity, and failure to hold the allegiance of its members, all of which are becoming progressively worse. To reform the capitalist system by dividing up incomes might indeed save the bourgeoisie for a time, but the bourgeoisie nonetheless oppose such division, drawn as they are to their own destruction by the tide of history. On this romantic Marxist view, redistribution is a petty notion of lower-middle class people envious of those above them.

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nations, but not much headway has been made in testing for it in individuals. Jencks's "competence" could include such elements, but the concept requires further analysis.

A society that wants production must find some way to give power to those of its members who are innovative or otherwise competent. If the competent person is allowed to retain the profit on his first venture, then he can start a second one on a larger scale; a natural selection results by which capital comes to be commanded by those who can make the most profitable use of it. This self-selection of the competent has drawbacks, and in some parts of the world more direct ways of assigning power are preferred. But if we have to wait for production until the competent producers can seize power directly, then we may have long to wait; those who are skilled in seizing and holding power may or may not be those who are competent in managing production.

Unequal incomes may not be able directly to generate desirable qualities of innovation, which could be inborn or determined in early childhood. But under suitable laws and regulations, larger-than-average incomes, saved and converted into capital by those who possess them, can be a means by which those competent in production are self-selected to exercise power.

More obvious than either concentration or innovation, and similarly difficult to measure, is effort. Those persons whose incomes are higher could be those who want more income badly enough to drop other objectives. To bring effort, innovation, and concentration into our empirical study, we would have to measure the presence of these qualities in individuals independently of income. And if such qualities are desirable and are spurred by income differences, then the whole problem is altered. The model assumed by Jencks will then no longer serve. It must be replaced by a more dynamic model, one that takes account of the determinants of *production*, not merely of inequalities of income.

INSOFAR as the distribution of income affects the amount of production, redistribution could be disastrous. If there is a feedback from income to production, so that the prospect of higher income induces a person to work harder and more intelligently than he would without such inducement, then society's mean income is a function of the variation in individual incomes. This is a mechanism governing the system as a whole.

Can we not study the mechanism by measuring the output of individuals and correlating this with their incomes? Recent experiments on the negative income tax, an idea first presented by Milton Friedman in 1962, suggest that the disincentive effect of redistribution is not as great as had been thought, and Jencks relies on this. But the known results apply simply to job-*holding*; statistics on the *intensity* of work are less easy to come by. If such experiments could be pursued and their many logical and practical difficulties somehow overcome, we might arrive at a curve relating production

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on the vertical axis to inequality on the horizontal; one point on such a curve would be the amount of inequality now existing in the United States and the present disposable national income of one trillion dollars. Suppose that with half the inequality (say, taxing away half of all incomes exceeding the average and distributing the tax so as to bring those below half-way up to the average), we would have an income of $900 billion; with one quarter the inequality, similarly defined, we would have $700 billion; with one tenth, $400 billion; and so on. At a certain point in the reduction of inequality, the incentive to produce could fall so low that even the poor would have lower incomes than they do now; the most devoted advocate of equality would presumably stop short of this. If we had such a curve, the electorate could vote intelligently on redistribution; they would know how much inequality would buy how much total income.

But the hope that we can immediately obtain such a curve is only a little less naive than the hope that the electorate would be able to agree on a particular point on the curve, or that the point would be one sacrificing income to equality. Professor Jencks fears that attitudes prevailing in the United States are such that people would choose a good deal of inequality, perhaps as much as now exists. He deplores this, and he may have a good case. On the one hand, the reduction of inequality by half may not greatly lower output. And on the other, we may not need all that output anyway. Many have called American output an unjustified expenditure of limited minerals and other non-renewable resources at the expense of the rest of the world.

THE present system can be attacked in a quite different way by seeing income as subsidiary to social stratification. People don't primarily seek high incomes; money as such, and the physical pleasures that money can buy, are not their major aim. They want high incomes so that they can live like upper-class people. Much of the history of Europe over two centuries has been marked by the efforts of the bourgeoisie to behave like aristocrats; it was incidental to their struggle for upward mobility that they achieved material progress.

On this view, income above subsistence is not sought for hedonistic purposes, but so that the earner can assert and concretely symbolize his social ascent. Suppose that $25 worth of clothing permits a man to preserve decency and protect himself against the elements; if he actually spends 10 times as much, then nine tenths of the custom-made suit and other textiles on his back are chargeable to social ascent, or at least to factors other than need, which accounts only for one tenth. I am not asserting that we are now so rich that we could dispense with nine tenths of our incomes if we were willing to live comfortably but plainly; no one knows what the fraction would be. Certainly, if we were satisfied with the uniformity of the Chinese in their blue denims, most of our tailors and

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designers could be put to work doing other things and the work week could be reduced for everyone.

The last two paragraphs say that *much of our high GNP serves to mark social differences*; earlier paragraphs say in effect that *the purpose of the social differences is to give people an incentive to work hard and so to raise income.* To decide which is the means and which the goal is not as easy as social scientists used to think.

From one viewpoint, the preference for equality becomes a preference for a society whose members are less differentiated by style of life. With more equal incomes, we would live more nearly in the same way. Status differences would be less visible. There would be less incentive to produce on the part of individuals if they got little higher income for producing; on the other hand, with the lessened social competition a lower average income would suffice.

Jencks is right when he says that Americans do not at present want change in this direction. For a long time into the future the social competitive game will be the chief entertainment of most people. Such inexpensive alternatives as religion and touch football cannot match the seriousness of owning a Cadillac. One interpretation of the 1972 election is that McGovern was rejected because he stood for equality; in the tradeoff between income and equality the electorate favored income. This preference is shown even by many whose incomes are below the average. I predict a continuation of the process by which visible social inequality will increase effort and hence production and hence income, and the income will be used to purchase the symbols of social inequality.

JENCKS's *Inequality* is a scholarly book, largely made up of data and their interpretation. These data, whose difficulties are fairly confronted, all have a bearing on the question of whether schooling or something else accounts for income inequality. Jencks is humane; he regards the amount of inequality now existing as unjust. Having shown the impossibility of removing it through education, he seeks an alternative and more direct way.

After the thickets of statistical cross-classifications, multiple correlations, and path coefficients, what a relief to come out of the woods and find the simple answer—redistribute! The arithmetical formula he suggests is easily understood: If Jones has an income of $10,000, Smith of $20,000, and Brown of $30,000, then the average income is $20,000, and half the departure of Brown from this average—i.e., $5,000—is to be transferred to Jones, whose departure from the mean will also be halved. The same perfect balance will be found however many persons are involved; it can be shown to be a property of the arithmetic mean that the total departures above are equal to the departures below.

After redistribution, the incomes will be $15,000, $20,000, and $25,000 respectively. This is the degree of altruism that Jencks recommends, and it may be indexed by the fraction one half or 0.50 by which the departures are multiplied. One who was in favor of

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allowing more incentive might only redistribute one quarter of the departure from the average, and his index of altruism would be expressed by 0.25. Thus, everyone has a personal index of altruism, varying from 0.00 for those satisfied with the present distribution to 1.00 for those who want all incomes to be identical. One purpose of *Inequality* is to raise the public's index of altruism, which Jencks complains may now be close to 0.00.

When we look back to the origin of the graduated income tax we find somewhat the same simplicity. The object then was redistribution, and the argument for it was that a marginal dollar is of more use to the poor man than to the rich man, so a net gain in satisfaction results from transfer. But the simple idea was modified along lines that we all know: Municipalities have to be aided, so they were allowed to pay tax-free interest; farmers have a hard life, so they were permitted special definitions of income; oil exploration needs encouragement by double depreciation. These modifications drew wealth into municipal bonds, farming, and oil. The tax schedule at first was unambiguously graduated from zero to 60 per cent of income, but now many volumes of law books and administrative regulations have come to be needed for defining income. And the definitions are such that some individuals who live like millionaires turn out to have zero income for tax purposes, while office clerks and assembly-line workers pay tax on every dollar that goes through their hands. As inflation proceeds, nominal tax rates remain unchanged, so that higher and higher rates are paid on a given real income (this is not called raising taxes). Beyond a certain point in its evolution the graduation aspect of taxes disappears—the incidence becomes similar for all income levels.

Inequality does not compare the equalizing effects of education with those of the income tax as both have actually operated to date. If it did, the chances are that education would emerge as a relatively effective agent. Instead, it compares the actual performance of education with a redistributive ideal, saying in effect: Let us get away from the complexity that has come to surround the gospel of redistribution, and restore the clear vision of the first prophets of the graduated income tax.

REFLECTION upon the fate of earlier equally pure ideas fills one with foreboding. Fifteen years ago, in 1958, John Kenneth Galbraith told us that in an affluent society we had practically all we needed to eat and to wear, and that our further individual wants were mostly created by the production process. Beyond a certain minimum, the market persuaded people to buy those goods it wanted to produce, and failed on collective goods like parks and schools. Government could spend our money for us better than we could ourselves; since we did not really want the goods bought with our marginal dollars, we would hardly miss what we gave up in the form of higher taxes.

The idea had appeal, and it was acted on. In 1958, when *The*

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Affluent Society was published, the federal budget was about $80 billions per year; now it has passed $250 billions. No one can say that intellectuals are without influence, especially when they are just slightly ahead of their time. Galbraith softened up the public, helped break down its resistance and reduce its squawks at the plucking that was in store for it. That this was not his intention, that much of the money was used by government for purposes against which he has spoken loudly and courageously, does not alter the direction of his influence.

Jencks could well attain the same eminence and have a similar effect. Governmental arithmetic may faithfully follow one half of the Jencks recommendation—taking away from the rich half of the excess of their income above the mean (always with the proviso that it would allow the more astute rich to define themselves as poor). But it would uncouple the other half of the Jencks recommendation—that the take be divided among those with below average incomes. It would explain that what with welfare payments, social security, and the like, much was already being done and to do more would be inflationary. Those who wanted to carry through the Jencks recommendation to the end and actually redistribute to the poor would indeed have their say, but so also would those who thought that fine pile of money would be better spent on interplanetary travel or on doubling our stock of strategic weaponry before the Russians doubled theirs. At best there would be a compromise based on the balance of forces at the time.

This is the long-range distortion to which the Jencks proposal is liable. In the short term, it has removed some of the justification for support to education. Jencks does not intend this any more than Galbraith was pushing for increased defense spending. But an idea, forcefully and attractively presented, assumes a life of its own. It is no longer under the control of its author, but is subject to capture by any power that can make use of it.

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Cambridge (U.K.) vs. Cambridge (Mass.)

JAMES TOBIN

At New Orleans in December 1971, British economist Joan Robinson scolded the American economists in convention assembled. She had the prime-time audience appropriate to her towering stature in the profession, recognized by the American Economic Association in inviting her to give its annual Richard T. Ely lecture. Mrs. Robinson is always eloquent, and she is formidably eloquent when charged with righteous anger. The targets of her indictment loved every word. Since her main complaints were against abstract theory, perhaps each listener was glad to hear a speaker with impeccable theoretical credentials tell off those *other* fellows who clutter up the journals with fancy models and mathematics.

The thesis of the address is essentially that of her little book, *Economic Heresies: Some Old-Fashioned Questions in Economic Theory* (Basic Books, 1971, $6.95). It is the retrogression of economic theory, especially in the hands of American practitioners, since the Second World War. Mrs. Robinson complains that theory has returned to the sterile unrealism of orthodox economics before the 1930's. Worse yet, contemporary theory, like pre-Keynesian orthodoxy, provides prestigious support for *laisser faire* policies toward modern capitalism.

Mrs. Robinson speaks of the two great crises of economic theory. The first crisis, between the two world wars, was the failure of orthodox theory to account for mass unemployment and prolonged depression. The intellectual root of the failure was the orthodox doctrine that saving is automatically translated into investment in capital goods, so that economy-wide over-saving and under-spending cannot occur. This crisis was of course resolved by Keynes, and almost everyone now agrees that the maintenance of full employment and economic stability cannot be left to *laisser faire* but requires deliberate fiscal and monetary policies.

The second crisis discerned by Mrs. Robinson has arisen from the solution of the first. Post-Keynesians have misunderstood, perverted, and narrowed the message of the master. They have rushed to the conclusion that once Keynesian policies solved the unemployment problem, the old orthodox truth was rehabilitated: that the capitalist market economy allocates employment and investment efficiently and distributes income justly.

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Keynes himself bears some responsibility, as Mrs. Robinson observes, for in one of his moods he said, "But if our central controls succeed in establishing an aggregate volume of output corresponding to full employment as nearly as practicable, the classical theory comes into its own again from this point onwards. . . . It is in determining the volume, not the direction of actual employment that the existing system has broken down."

Post-Keynesians were all too ready to embrace this view, which Mrs. Robinson says "is being discredited by the awakening of public opinion to the persistence of poverty—even hunger—in the wealthiest nations, the decay of cities, the pollution of environment, the manipulation of demand by salesmanship, the vested interests in war, not to mention the still more shocking problems of the world outside the prosperous industrial economies." Later she describes the situation as follows:

> National economic success is identified with statistical GNP. No questions are asked about the content of production. The success of modern capitalism for the last twenty-five years has been closely bound with the armament race and the trade in weapons (not to mention wars when they are used); it has not succeeded in overcoming poverty in its own countries, and has not succeeded in helping (to say the least) to promote development in the Third World. Now we are told that it is in the course of making the planet uninhabitable even in peacetime.

Economics makes no contribution to understanding or solution of these "menacing problems" because of "the complacency of neo-laisser faire," the uncritical acceptance of "a theoretical scheme which represents the capitalist world as a kibbutz operated in a perfectly enlightened manner to maximize the welfare of all its members."

The charges are scarcely new. The growing numbers of radical economists have been saying the same things. But the profession, "straight" as well as radical, has been responsive to new challenges, even if slow to anticipate them. Probably Mrs. Robinson is just unaware of the volume of research over the past 10 years on poverty, inequality, pollution, population, conservation, externalities, and public goods. A theorist *par excellence,* she pays no attention to the empirical studies and policy applications that constitute the great bulk of economists' output.

In the Ely lecture she accused American economists of even worse sins of commission. Having learned from Keynes that any stimulus from government or private spending would augment national income and wealth if the resources used would otherwise be idle, they committed the sophomoric error of welcoming any source of stimulus without worrying about priorities. Therefore, she said, American economists share guilt for the cold war and the Vietnam war.

THE quotations I have cited are from the introduction and conclusion of the book under review. The reader will search the 140 intervening pages in vain for further particulars of the indictments or for any substantive discussion of the cosmic problems that modern

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economics in its blind orthodoxy is accused of ignoring. No argument is given to support the casual claim that the postwar prosperity of capitalist countries has been dependent on armament and war. No hint is offered of any other theoretical apparatus that would do better than the old on the problems of poverty, environment, and Third World development.

Instead, the reader will find an illuminating, entertaining, and characteristically lucid account of developments and controversies in economic theory over the past century, particularly the past 40 years. For much of this time, Mrs. Robinson's Cambridge was the hub of the economic universe, and her observations on "some old-fashioned questions in economic theory" reflect the oral tradition of seminars and senior common rooms as well as the printed record. Mrs. Robinson can expound clearly and simply the essentials of arguments and controversies that seem hopelessly confused and obscure in the hands of less gifted writers. What is more, she does it with words, not mathematics. Though the coverage is selective and the viewpoint personal, the book provides a salutary historical perspective on contemporary economic theory.

THE two grandfathers of modern economics are Leon Walras, the rigorous, mathematical Frenchman who originated the fruitful fantasy that a market economy solves a large but determinate system of simultaneous equations (which represent the interactions of supply, demand, price, etc., in the economy); and Alfred Marshall, the pragmatic and perceptive Englishman whose vision of capitalism as an ongoing historical process often exceeded his capacity for precise argument. They have been contesting for the souls of economists throughout Mrs. Robinson's long career, perhaps for her soul too.

Though Mrs. Robinson herself has been fond of rigorous, though non-mathematical, abstract theoretical argument and quite often takes Marshall to task for fuzzy logic, she counts herself definitely and proudly a Marshallian. The trends she dislikes in modern economic theory—formalism, unrealism, preoccupation with equilibrium, inattention to institutions and historical setting—she attributes to Walras and his successors. Wicksell, the great Swedish contemporary of Marshall and Walras, also gets the back of Mrs. Robinson's hand—especially undeserved in view of his importance as a precursor of Keynes. Pigou, Marshall's successor as the professor at Cambridge, receives grudging admiration. He was too detached and conservative for her taste, but he did work out a number of problems.

Keynes, of course, is Mrs. Robinson's principal hero. (She is also an admirer of Marx, but he scarcely figures in this book.) She was a member of the famous King's College seminar where the General Theory evolved and was tested in excited debate, idea after idea, chapter after chapter. They all knew they were in on the beginning of a great intellectual revolution.

As Mrs. Robinson recognizes, however, there was more than one Keynes. There was Keynes the formal theorist, expressing his revolu-

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tionary theory in a mathematical model, attacking the foundations of orthodox theory at its purest and most abstract, asserting that involuntary unemployment can exist within a permanent equilibrium. Then there was Keynes the pragmatic economist, concerned to diagnose and cure the particular disease of the 1930's, more interested in dynamic processes than in hypothetical equilibria, full of insights and observations not captured in any model. For Joan Robinson in 1970 the true Keynes is the second, the Marshallian Keynes.

Among her contemporaries, Sir Roy Harrod is praised for extending a Keynesian theory to long-run growth. Michal Kalecki, the late Polish economist, a fellow graduate of Keynes's inner circle, receives special tribute for seminal contributions written and unwritten and for being more Keynesian than Keynes. She blames John A. Hicks and the American post-Keynesians for emphasizing and propagating Keynes as the formal theorist.

Hicks, a recent Nobel laureate, is the villain of the story. His crime was to be England's Walras. To hear Mrs. Robinson tell it, he confused and set back every topic he wrote about. Dispassionate readers will agree with the Nobel judges and will credit the versatile Hicks with at least as much clarity of analysis and lucidity of exposition as Mrs. Robinson herself. Her unpleasant comments must be attributed to the personal and political vendettas that have marred British economics for a generation.

MUCH of the book is devoted to Mrs. Robinson's running battle with Paul Samuelson, Robert Solow, *et al.*—the "neo-neoclassicals"[1]—on the theory of capital and growth. She regards neoclassical growth theory, particularly as developed in Cambridge, Massachusetts, as the culmination of everything that has gone wrong in economics.

The Public Interest is not the medium for an extended review of this controversy, whose technical complexities are mainly of interest to graduate students of economics. But I will try to explain what the fighting was all about and why so theoretical a subject produced so much steam—mostly, to be sure, on the side of Mrs. Robinson and her allies.

The neoclassical theory observes that, if Keynesian policies sustain full employment, the growth of output is limited by the accumulation of physical capital, the growth of the labor force, and the improvement of technology. The two latter constraints are generally taken as set by non-economic factors which govern the increase of population and the advancement of science. More-

[1] The principal economists of the late 18th century and the first half of the 19th century—Adam Smith, Ricardo, Mill, and, yes, sometimes Marx—are commonly called "classical." Those of the late 19th and early 20th centuries—Jevons, Menger, Walras, Pareto, Marshall, Pigou, Wicksell—are commonly called "neoclassical." The dividing line between them is the introduction of subjective marginal utility as a determinant of price and value. Keynes confused the terminology by referring to both these groups as "classical," because both of them (although not Marx) dismissed the problem of inadequate demand by the assertion (Say's Law)

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over, they are generally combined into a rate of growth of "effective labor," natural labor with productive power augmented by technological progress. (These assumptions are debatable, but they are not at issue in the debate between the two Cambridges.) Capital accumulation is limited by what Keynes would have called the society's propensity to save. More rapid growth of capital and output requires that the society save a larger fraction of its current output. Naturally, government policy must make sure that increased saving potential goes into real investment, and is not wasted in unemployment.

But even an increase in thrift will not permanently increase the growth rate. The reason is that when capital expands faster than effective labor, it also expands faster than output, whose rate of growth is a weighted average of the growth rates of the two factors. As the ratio of output to capital declines, saving the same fraction of output increases the capital stock in a smaller and smaller proportion. Eventually capital and output will be increasing no faster than the natural rate of growth of effective labor.

Nevertheless, there is a permanent social reward for increased social thrift (unless it is overdone). Output and consumption per worker are permanently larger, thanks to the use of more capital-intensive techniques of production. The increase in capital per worker is also associated with a decline in the rate of profit per unit of capital and a rise in real wages. Both of these results follow from the neoclassical (and classical) view that the marginal productivities of resources depend on their relative scarcities.

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that supply automatically creates its own demand. Modern economists who apply marginalist calculations to problems of pricing and allocation—on the assumption that Keynesian policies, if not Say's Law, assure full employment—are in the neoclassical tradition. Some writers think that "neoclassical" is a sufficient adjective for them, while others like Mrs. Robinson preface a second "neo."

One of her main targets is Paul Samuelson, condemned for his part in constructing a "neoclassical synthesis" of Keynesian and pre-Keynesian theory. She regards this as a step back to the defense of orthodoxy. Yet Samuelson's writings have instructed generations of sophomores that, for example, leaf-raking and pyramid-building can never be justified by their employment-creating effects but must be weighed against other uses of the same resources. His work on the theory of public goods, well known to American undergraduates but evidently not to Mrs. Robinson, is only an outstanding example of the attention modern theorists, in America and overseas, have paid to the allocative failures of *laisser faire*.

Robert Solow is another Massachusetts Cantabrigian whose errant ways preoccupy Mrs. Robinson a great deal. (Rumor has it that after coming to know Solow personally, Mrs. Robinson once remarked, "You know, you really are smart—how come you don't agree with me?") One of Solow's principal errors, it appears, is his belief in the utility of the marginal productivity theory of the distribution of income between profits and wages. This theory Mrs. Robinson regards as a flimsy rationalization for inequalities of income and wealth under capitalism. But Solow has never attached any ethical content to marginal productivity, and as a member of Presidential commissions on technological unemployment and income maintenance, he has been a proponent of government intervention to diminish poverty and inequality.

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THE foregoing scenario enrages Mrs. Robinson. One reason is the prime role it assigns to the propensity to save in determining the rate of growth in the short run and the ultimate equilibrium of the system in the long run. The second is the role of the marginal productivities of capital and labor in determining profits and wages.

The first she condemns as anti-Keynesian, because Keynes emphasizes that capital investment and saving are, in a modern economy, different decisions and reflect the behavior of different people. Moreover, she points out, Keynes argued that investment controls saving, not the reverse. Actually, his argument was that, in conditions of idle resources, an increase in investment will bring forth the saving to finance it *by putting the idle resources to work* and generating enough extra income to induce the matching saving. He would find no inconsistency in the view that capital accumulation *at full employment* is limited by the supply of saving.

But Mrs. Robinson and her colleagues have been searching for what they term a Keynesian theory of growth. Her own scenario for a speed-up of growth is that business entrepreneurs, because of greater "energy" and "animal spirits" (her frequent terms), start the ball rolling by spontaneously increasing the rate of capital accumulation. But if output is at capacity, where does the corresponding saving come from? To say that the very same businessmen decide to save a higher proportion of their incomes would of course surrender the ball to the neoclassical side. Instead, Mrs. Robinson and company rely on a "widow's cruse" theory of profits, combined with the assertion that profits are wholly or largely saved while wages are wholly or largely consumed. Businessmen increase their own profits when they spend more on investment, and correspondingly depress wages. It is the shift in income distribution, from wages with a low or zero propensity to save to profits with a high or 100 per cent propensity to save, that restricts consumption enough to make room in the economy for the extra investment.

As far as I can gather, Mrs. Robinson does not really dissent from the rest of the neoclassical scenario. That is, she agrees that the higher propensity to invest cannot indefinitely sustain a growth rate higher than the natural rate of growth of population and technology.

Meanwhile, however, Mrs. Robinson has explained the distribution of income between wages and profits without mentioning the words, "marginal productivity." The distribution must be such that, given the differential propensities to save of capitalists and workers, total saving matches the share of investment in output (that strategic fraction which is itself explained only by "animal spirits" and "energy"). Mrs. Robinson's angry scorn of marginal productivity is based on her belief that *rentiers* do not perform any social function justifying their rewards. She makes fun of "waiting" and "abstinence," functions mentioned by the older classical and neoclassical schools. Moreover, like Galbraith on this side of the Atlantic, she regards modern capitalist enterprise as neither competitive nor profit-maximizing. (This, plus a generally iconoclastic stance toward the eco-

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nomics profession, is about their only similarity.) If this empirical observation is right, it would indeed be difficult to sustain marginal productivity theory in any very rigorous form.

EVEN so, the way would not be clear for Mrs. Robinson's "Keynesian" distribution theory. (In my view the label Keynesian is inaccurate and libelous—Keynes was a practicing neoclassical in distribution theory.) Its exponents, who include Nicholas Kaldor and Luigi Passinetti as well as Mrs. Robinson, provide no convincing explantation how or why workers accept a reduction in real wages when businessmen increase investment at a time of full employment of labor. In one passage in this book Mrs. Robinson expounds her distribution theory for a case when labor is surplus, not for Keynesian reasons of insufficient demand, but because output is limited by the capital stock and by an inflexible technology that prevents employment of additional workers on existing facilities. In this case, labor's marginal product is zero and employers have considerable leverage. But why should they use it only to the extent that they need funds for investments?

Mrs. Robinson also appeals to the accounting identity, Income = Investment + Consumption = Profits + Wages, from which it follows that if Wages are wholly consumed and Profits wholly saved, Profits = Investment. But Mrs. Robinson knows as well as I do that this equation says nothing about direction of causation, whether right to left, left to right, or neither.

The two theories have divergent implications for policy. The neoclassical model implies that increased social thrift, for example through government saving, can raise growth rates, wages, and living standards—and even take *rentiers* down the road to euthanasia, a fate Keynes predicted as the happy result of thrift combined with his full employment policies. In Mrs. Robinson's model, growth under capitalism is difficult to control, depending as it does on the mysterious "animal spirits" of monopolistic entrepreneurs. Moreover, acceleration of growth cannot occur without a shift of income in favor of profits. The implication is that growth in capitalist fashion is an unattractive proposition, particularly for the developing nations.

One of Mrs. Robinson's weapons against marginal productivity theory is that there is no such thing as capital, hence it can't have a marginal productivity. Her point is that capital goods are heterogeneous, in particular that new investments take quite different forms from old. Many words have been spilled on this subject in the journals, but I think it is not really a central issue. In this book Mrs. Robinson herself recounts the essentials of a model with heterogeneous capital. Although the investments of different vintages cannot be summed into a "stock of capital," the model exhibits all the neoclassical properties.

The much more serious theoretical problem, which Mrs. Robinson rightly and repeatedly stresses, is the treatment of expectations about the future. These determine the current valuations of durable assets,

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both securities and goods, and the saving and investment decisions of households and businesses. Yet expectations are generally uncertain, divergent, and erroneous, except in the ideal "golden ages" of steady, predictable growth where theorists—Mrs. Robinson as well as her opponents—are most comfortable. The problems are messy. Mrs. Robinson hasn't solved them, but she is more aware of their difficulty than most writers on these subjects, and I believe she is right to object that Walrasian general equilibrium, even when enlarged to postulate markets in all commodities in all contingencies at all future dates, is no real solution.

YET suppose the "neo-neoclassicals" were as wrong-headed as Joan Robinson says. Is it credible that faulty articles on growth theory in esoteric journals are responsible for the ills of the world, or even for economists' failures to solve them? Mrs. Robinson's "second crisis of economic theory" is the alleged revelation that the analytical tools of economics are so biased toward *laisser faire* that they cannot apply to the many problems of the modern world where *laisser faire* is patently ridiculous and disastrous. In my own opinion, the intrinsic difficulty of the problems, not bias or error or even neglect by economists, is a more likely explanation of delay in solving them. At its best, theory can take us only so far. But welfare economics, much of it developed by Mrs. Robinson's own mentors in the intellectual tradition she describes in this book, shows itself in one practical application after another to be the indispensable and fruitful analytical apparatus.

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Perspectives on Health Care

NATHAN GLAZER

In an earlier article in *The Public Interest* (No. 22, Winter 1971), I explored some international comparisons in health care, pointing in particular to the fact that Sweden and England used less resources for health care than the United States, yet showed better health than the United States. I disputed the argument as to a doctor shortage in the United States by pointing out that the United States already had considerably more doctors per capita than England, and very many more than Sweden. I pointed to the oddity that Swedes saw doctors less often, but went to the hospital more often, and stayed there longer than Americans did—and yet Sweden had only one employee per hospital bed as against two and a half for the United States. All this was based on comparative studies by Odin Anderson of the University of Chicago and by Osler Peterson of Harvard, with a group of associates in England and Sweden.

Even then, it was not perfectly clear what we could learn from the experiences of other countries, though it was very intriguing to discover that they spent less and were healthier. Alas, we must now report that the situation is rather more complicated than appeared on the basis of earlier research reports, and the question of what we can learn from other countries becomes even more obscure than it was a few years ago. Odin Anderson has published his major work on the three-country comparisons (*Health Care: Can There be Equity? The United States, Sweden and England*, John Wiley, 1972, $11.95). It is a landmark in the study of comparative social policy. And it certainly complicates our earlier understandings of health care in the three countries. As against a snapshot at one point in time—where interesting and striking comparisons appeared that suggested possible new directions for the United States—the tracing of patterns in the three countries over a period of time reveals to us, surprisingly, that in many respects all three countries are becoming more alike, and that insofar as they are different in 1973, the differences are not necessarily the ones that existed only a few years back.

Let us begin with the pattern of financing, as Anderson gives it. In England, almost all costs—for hospital care, for visits to doctors, for drugs—are public (85 per cent in both 1950 and 1965), except

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for a small private sector for those who wish it, and for some small charges to patients. Doctors are paid by "capitation"—so much a head for every patient enrolled in a panel—and primary care and specialist care are strictly separated, with specialist care segregated in hospitals. Hospitals are staffed by full-time physicians and the National Health Service pays for all. In the United States, patient care is basically on a fee-for-service basis, both outside and inside the hospital, which is more commonly a voluntary than a public institution. Private, and more recently—for the aged—public, insurance plays a large role. In 1950, 72 per cent of all health care expenditure was private, most of it contributed by the patient. Patients paid 57 per cent of all costs in 1950, private insurance nine per cent. By 1969, the private patient share had dropped sharply to 35 per cent of all health care expenditures, the insurance share had risen to 19 per cent, and the public share—largely as a result of Medicare and Medicaid—had gone up to 38 per cent, as against 28 per cent in 1950. (*Total* cost went up from $12.8 billion in 1950 to $53.7 billion in 1968.)

Sweden is in many respects the most interesting of the three countries. Fee-for-service still characterizes the doctor-patient relationship, though a national insurance system reimburses the patient for most of the fees. But the pattern of hospital organization differs from both the American and the British systems. As in the case of the British, the hospital system is largely divorced from the primary patient-care system, and is staffed by full-time salaried doctors, who also take private patients. But these hospitals have been traditionally supported by the *local* communities and are still so supported, and they have formed a unitary system of hospitals for all classes, as against the British (and the American) case, where there have been Poor Law or municipal hospitals for the poor, and voluntary and private hospitals for the middle classes. This unitary hospital system, according to Anderson, reflects the 17th-century experience of a small, poor country with a small elite, trying to be a world power. The hospitals were established in each community primarily to accommodate sick returning soldiers. They were thus from the beginning community rather than Poor Law hospitals.

Certainly, the fact that Sweden has never had to overcome the heritage of a two-class health care system must help the overall morale and effectiveness of its health services. But the fact is that the United Kingdom, which like America has had to overcome this tradition, has with its National Health Service done infinitely better than we have. Medicaid is still basically a grotesque descendant of Poor Law medicine.

Sweden's pattern of private expenditure for health care remained roughly the same between 1950 and 1965—16 per cent in 1950, 15 per cent in 1965. The striking difference from England is that local government, with its responsibility for hospital costs, contributes more than half of the total cost of health care (52 per cent in 1950,

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54 per cent in 1965). In England, local government contributes a mere five per cent of health costs, in the United States, 13 per cent.

THE patterns we have just summarized reveal that major differences in funding persist among the three systems of medical care, though the public share in the United States is rising (from 28 to 38 per cent of all costs between 1950 and 1969) and will rise further. But some other differences are more rapidly declining. In 1950, Sweden had only 69 doctors per 100,000 population, England 99, the United States a munificent 149. The differences are much smaller in 1967—Sweden is up to 117 and England to 119, while the United States has moved up only slightly to 158. In terms of international comparisons, the United States is still "over-doctored," but not as much.[1] Similarly, the difference in hospital beds per 1,000 population has declined. In 1950, Sweden was far ahead with 5.7, England had 5.0, the United States only 3.3. We are now all closer—the United States has risen to 4.0, England has dropped to 4.2, Sweden has increased its ratio slightly to 5.9. Also, the differences in the number of nurses have declined. (Some of the earlier differences, however, remain: Sweden still uses considerably less manpower in its hospitals than the United States—1.5 persons per patient-day vs. 2.7 in the United States.)

The variations in the use of hospitals have also diminished. Thus, the United States, whose number of hospital days per 1,000 population was lowest in 1950 (890), shows a rise to 1,132 in 1968. Sweden, whose use of hospitals was greatest in 1950 (1,630) shows a drop to 1,560. England, as in so many of these comparisons, shows the least change. Admissions to general hospitals have risen in all three countries, but the differences are now narrower than they were. Sweden and England have reduced their long average lengths of stay (1950: 15.8 days in Sweden, 15.0 in England; 1968: 11.9 and 11.6) to closer to the short American stay of about eight days in both years. There has been a more complex pattern of change in admissions to mental hospitals per 1000 population, but at least by one measure, differences have declined:

TABLE 1. *Mental Hospital Admissions per 1,000 population*

COUNTRY	1950	1968
United States	3.2	4.6
Sweden	5.6	11.0
England	1.4	4.0

In all three countries the same proportion of the population sees

[1] It is conceivable that a much higher proportion of American doctors is engaged in research and administration, which would reduce these differences even more. Doctors actually providing medical care in the United States numbered only 130 per 100,000 population in 1967 (Anne R. Somers, *Health Care in Transition: Directions for the Future,* Chicago, Hospital Research and Educational Trust, 1971). I do not have comparable figures for Sweden and England.

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a physician in a year—just about two thirds—but there are still less physician visits per capita in Sweden (2.5) than in the United States (4.3) and England (5.9).

The most surprising case of the three countries becoming similar is to be seen in the pattern of health expenditures as a percentage of GNP (Table 2). Sweden in 1950 spent the *smallest* proportion of GNP on health. It now spends the *largest*—8.1 per cent in 1968, even exceeding the American percentage of 7.5 that year. (As of 1970, we had gone up to 8.4, but one assumes the Swedes have kept pace.) The English seem to have been by far the most effective at keeping their health expenditures level.[2]

TABLE 2. *Health Expenditures as a Percentage of GNP*

COUNTRY	1950	1968
United States	5.3	7.5
Sweden	3.2	8.1
England	5.4	5.2

WE are all aware by now that we should expect little in the way of correlation between health conditions on the one hand and health expenditure, health care facilities use, or system of health care on the other. While the initial three-country reports offered the intriguing possibility that by becoming more like Sweden and England we could spend less and stay healthier, the matter is of course far more complicated. What was suggested by Victor Fuchs now seems established: *Wealth as such after a certain point has a negative effect on health, and we in this country seem to have reached it.*[3] The automobile, richer food, less exercise, all contribute. Anderson accepts this position, and gives a balanced statement of it: ". . . it is too extreme a position to denigrate the current importance that personal health services per se have on health indices. Obviously *public* health measures have had demonstrable effect on death rates . . . [by implementing] measures that can be carried out without a personal health service apparatus, as is commonly done in developing countries. It can further be assumed that a truly

[2] As a side note on the danger of extrapolation from initial comparative studies: One of the strongest findings of difference in pattern of health expenditures between the United States and England in Seymour E. Harris's important study, *The Economics of Medical Care* (McGraw-Hill, 1964), was the heavier expenditure for drugs in this country. The per cent of the British medical dollar spent on drugs was 8.0 in 1950, 10.5 in 1960; in the United States it was 19.2 in 1950, 20.1 in 1960 (Harris, p. 279). This difference is *reversed* in Anderson's comparisons: for 1965, 19 per cent in England and 12 per cent in the United States (p. 121). It would be an interesting term paper topic in comparative social policy for someone to try to explain these contradictory findings.

[3] "Adverse factors associated with the growth of income may be nullifying beneficial effects of increases in the quantity and quality of care" (R. Austen, J. Levenson, D. Sarachek, "The Production of Health, an Exploratory Study," *Journal of Human Resources,* Fall 1969).

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tremendous increase in the resources of personal health services such as those provided for politicians, presidents, prime ministers, or an exceedingly rich citizen would have demonstrable effect on length of life."

But the differences in health indices do reveal something related to health care, and in any case perhaps measure best what it is we are after. In infant mortality, the experience of the years 1950-1968 is shown in Table 3:

TABLE 3. *Infant Mortality Rates per 1,000 Births*

	United States			
YEAR	WHITE	NONWHITE	SWEDEN	ENGLAND
1950	26.8	44.5	21.0	31.4
1968	19.2	34.5	13.0	18.3

Age-specific mortality remains higher in the United States than in England, and considerably higher than in Sweden for every age group, until we hit ages 75 and over, at which point the hardy survivors of American life and medicine begin to show a better mortality experience than that of their Swedish or British counterparts.

These differences in mortality are found together with a similarity in the three leading causes of death: They are heart disease, cancer, and stroke in that order in the three countries, and for both blacks and whites in the United States. In the United States, the fourth cause of death is accidents, for blacks and whites. In Sweden and England it is influenza and pneumonia. Homicide is in seventh place as a cause of death among American blacks; it does not appear among the 10 leading causes of death in the other lists.

Anderson compares our best states, Hawaii and Utah, with Sweden. Sweden still does better in terms of age-specific death rates, particularly for children under one (Sweden, 12.9 per 1,000; Utah, 16.6; Hawaii, 16.7):

> The conclusion is suggested that the dominant reason why the Swedish mortality rates are lower than in any state of the United States is a high minimum standard of living for everyone and a cultural homogeneity of life styles of sanitation and cleanliness. Health services are, of course, also a factor in the low mortality rates, but the elimination of poverty in the United States in the sense true for Sweden would be more likely to bring mortality rates closer to Sweden than a policy limited to health services only. It can also be ventured that the predominant life style of Sweden results in more physical activity than that of the United States. When the Swedes have as many private automobile vehicles relatively as the Americans, death from sedentary causes may well rise (p. 158).

Anderson goes on to describe recent policy proposals and changes in health services in all three countries. Despite the common scientific and technological base, the patterns remain very mixed

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and it is not clear that the services are converging toward a common scheme. England shows no tendency to shift away from capitation and a separate, salaried hospital service, though there are some changes under way in the organization of the hospital system. Nor does it seem tempted to move away from full funding at the national level, though there are arguments by economists that a larger share of costs ought to be taken up by consumers and should fall into the realm of consumer choice. Sweden's most recent important change has been to place hospital physicians—who have traditionally also taken private patients on a fee-for-service basis—on full salary, much to their annoyance.

In the United States, we seem to be moving toward stronger controls—through federal requirements, state authorities, third-party payers (the insurance companies), or professional peer review groups—to govern utilization of facilities and the level of services provided. We are increasingly aware that we are over-doctored and over-operated on, compared to the other countries, and we are aware of the enormous costs involved in fee-for-service payment for doctors and cost-plus compensation to hospitals, and we want to do something about it.

But mysteries remain. Why is there so little concern in Sweden—according to Anderson—with the rapid increase in costs, which must be in part due to their similar fee-for-service and cost-plus pattern? There is no reference in his book to scandals involving the misuse of the insurance system by Sweden's fee-for-service doctors, on the model that has become notorious in Medicaid in this country. Why? One reason must be that the Swedish insurance funds reimburse the patient directly, and only for three quarters of his bill; the patient therefore polices the physician, as against Medicaid, where the physician bills the public payer directly and for the total sum. An earlier study by William A. Glaser (*Paying the Doctor, Systems of Remuneration and Their Effect,* The Johns Hopkins Press, 1970, pp. 189–190) suggests other reasons: "The Swedish sick funds employ control doctors to police abuse. If any doctor performs medically unnecessary or excessively repeated medical procedures for money over the statistical norms calculated by the National Insurance Office, the control doctor could ask him to desist. . . . The control doctor can file charges with the Swedish Medical Association, but this action is unusual. The control system is hardly used in Sweden, since the economies and ethics of Swedish medicine produce little unnecessary work: because of the severe shortage of doctors, the profession is kept busy doing what is clinically necessary." But the Swedes are rapidly increasing the number of doctors. Will this change this rather ideal condition of fee-for-service doctors who do not abuse the insurance system through excessive doctoring?

It is clear that in both England and Sweden a society and state with coherent and recognized leadership can move with less con-

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flict than in this country in the directions determined by lengthy study and discussion. In Sweden, according to Anderson, every conflict is ironed out beforehand by their inordinately long-lived commissions. The Swedish system works slowly but surely. A Social Democratic government appointed a committee to review the social welfare system in 1937. It reported in 1944. The first compulsory health insurance law following this report was passed in 1947, and did not come into effect until 1955: "The eight years were used to iron out administrative and relationship problems with the medical profession" (p. 77). In contrast, the American pattern of change is almost hysterical. We have endless and fierce conflicts in public, directly contradictory proposals for major reconstruction of health services in Congress, and elaborate research and reports by government, both houses of Congress, and prestigious private groups. The English benefit from as structured a system as Sweden's, with a similar respect for the Civil Service and the leading authorities, but they seem to find the detailed and deliberate study of the Swedes more than they need or can afford: Certainly the more rapid change of governments in England requires more rapid institution of change! Anderson reports (p. 168), "England's lack of regard for data was epitomized by its having [during its first years] only one statistician assigned to data collection for the operation of a £400 million enterprise [the National Health Service]."

It is no wonder that, in contrast with the English pattern and the Swedish pattern, American proposals—at least the best-informed ones—tend to move toward a rational pluralism, evolving out of the chaotic pluralism of the present system. Anderson sees as the two chief problems of American health care the lack of good health services for the poor and the enormous and crushing burden on otherwise independent citizens of high-cost episodes of medical care. He cautiously suggests government-funded health insurance policies and "massive incentive subsidies to hospitals and medical centers to provide services to those in poverty areas." The entire employed segment of the population should have a "federal health insurance system to cover high cost episodes of given magnitude, say above $15,000. New taxes would be quite minimal." Thus the present multiplicity—of Blue Cross/Blue Shield Plans, private insurance companies, prepaid group practice plans, and comprehensive physician fee-for-service plans—would be maintained, but everyone would be able to (or required to) buy in, with the government picking up the costs for catastrophic insurance and insurance for the poor, and the patient retaining the option as to what means of health care to select. In this respect, the system proposed is not very different from the Federal Employees' Health Benefits Plan, where the government as employer pays a good part of the insurance, and the employee makes a selection among approved plans which compete with each other for his choice. Anderson also favors accelerating "massively the training of more

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physicians, nurses, dentists, and related technical personnel. Delivery methods should be innovated in an environment of relative abundance of personnel and facilities. This country can well afford this philosophy of expansiveness for the entire population and minimize the differences of care for the poor and the comfortable" (pp. 208–9).

Interestingly enough, Anderson places no great emphasis on cost control mechanisms and on new planning for more systematic response to needs. I believe he is too skeptical about their efficacy. Anne R. Somers, in her admirable *Health Care in Transition: Directions for the Future,* argues persuasively for a greater if still modest measure of planning and control.

Anderson suggests the following conclusion: ". . . England has the happiest public and the unhappiest professionals of the three countries . . . the United States has the happiest profession—although feeling besieged—and the unhappiest public. Sweden might have been said to have the happiest physicians and possibly also the happiest public . . ." (p. 193).

ANDERSON'S proposals are wise and moderate, and they reflect the increasing complexity we discover in the field of health care as we compare national patterns and find anomalies and paradoxes. His book helps to correct for a kind of raucous and unbalanced critique of American medicine which is all too common. One example is *The American Health Empire: Power, Profits and Politics, A Report from the Health Policy Advisory Center (Health-PAC)* (Random House, 1970). The level of its comprehension is best communicated by the extraordinary suggestion on page one: "Every day three million Americans go out in search of medical care. . . . Another twenty million Americans probably ought to enter the daily search for medical help, but are not healthy enough, rich enough, or enterprising enough to try." I find no argument to justify a near seven-fold increase in the number of daily seekers of medical care in this country, and the implied commitment of half the GNP to treating them.

It is undoubtedly books like these, as well as information such as is becoming available from careful research like Dr. Anderson's, that has led to a recent "backlash" of defense for the American health care system. Certainly the possible lines of this defense are clear: Since health is so much a matter of individual habit and custom, level of affluence, and environmental conditions, why blame doctors and hospitals if Americans are less healthy than other people? Since there seems to be something to be said for different systems of health care, why shouldn't all coexist in the United States? Since we can make arguments for and against salaried doctors, doctors paid by capitation, or doctors paid by fee-for-service, why not retain the predominant American fee-for-service approach? Perhaps the most effective statement at present of the backlash position is Harry Schwartz's *The Case for American*

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Medicine, A Realistic Look at Our Health Care System (David McKay, 1972, $6.95).

There is a great deal of good sense in this book; unfortunately it is mixed in with a great deal of "overkill" which will prejudice many readers against going on to discover the good sense. Is it really necessary to say (p. 2), "American medicine is probably, on the whole and with exceptions in particular areas, the best in the world"? All the evidence suggests medicine is at least as good or better in a dozen countries, whether we rate that evidence by mortality figures, cost, access, satisfaction, or what have you. Is it necessary to criticize (p. 5) the titling of a CBS television special, "Don't Get Sick in America"? Indeed, anyone who knows anything about American medicine will carefully warn all foreign friends not to set foot in this country without the heaviest insurance imaginable. One must acknowledge, and with shame, that while we pauperize any foreigner who is so unfortunate as to require substantial medical care in our country, Americans can undergo very severe episodes of ill-health in many European countries at very modest cost. Schwartz is too fond of the word "collectivization," whether justified or not, in discussing possible changes from unregulated fee-for-service practice. Perhaps this reflects his long study of Soviet Russia, but it does not help throw light on the situation.

Schwartz does do some useful things. Using very recent data, he is able to show that the medical crisis, at least by some measures used to estimate its gravity, is abating. Thus there have been recent substantial and gratifying drops in American infant mortality rates. He gives estimates for 1972 of 16.2 for whites and 29.0 for blacks, and while these are not at the Swedish level, a surprising improvement has been made since 1965. One wonders what the causes might be, but Schwartz does not comment on that. Is it possible this is one area where improved personal health care has actually improved health? It would be worth finding out.

Schwartz does point out how substantial the differences are *within* countries between regions, classes, and ethnic groups, and he argues that the heterogeneity and size of the United States make it difficult to achieve the standards of a homogeneous Sweden, Holland, or Japan. Here his comparisons with the Soviet Union, where the differences among areas are greater even than those among American states, are valuable. Schwartz argues effectively that the doctor shortage is exaggerated. The United States, as we have seen, already has substantially more doctors per capita than some other developed countries, and it is rapidly increasing their number. He analyzes perceptively the criticism that we depend on too many foreign-trained doctors by pointing out that the reasons for their coming—differential economic benefits and the opportunities to learn—and our commitment to free movement make it all too likely they will continue to come even as the rapid expansion of our own medical schools continues. He discusses the maldistribu-

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tion of doctors, and shows that this problem would not be easy to solve. The East South Central States, already the states with the fewest numbers of doctors, provide the highest average economic rewards ($45,704 in 1969). The lowest average net earnings were received by physicians in non-metropolitan New England ($31,379). This huge economic differential does not do much to change the fact that there are considerably more doctors in New England than in the East South Central States, and suggests the scale of economic rewards that might be necessary in a free society to get doctors to move to the less favored areas.

PERHAPS the most striking part of Schwartz's defense of American medicine is his argument that the cost explosion is coming to an end: "Between August 1971 and August 1972, the medical price index rose only 2.2 per cent, substantially less than the cost of living rise in the same period" (p. 89). The rapid cost increases of recent years he ascribes to Medicare and Medicaid, because of both direct costs and their contribution to inflation, and to increases in the cost of labor in hospitals (which go to benefit poorly paid and often minority-group labor). Even with inflation, he points out (p. 98), doctors have improved their fees between 1965 and 1970 no more rapidly than workers have increased their income. (But of course the comparison is not quite fair: Under Medicare and Medicaid doctors now *collect* many more fees, and more of them are for services which once went unrecompensed; as a result, their *income* has increased more rapidly than the size of their fees.) Schwartz attributes the end of the medical cost explosion to Medicare controls on physicians fees (". . . by the first quarter of 1971, almost half of all physicians' Medicare claims were being cut, with the average reduction per claim about 11.5 per cent," p. 100), on nursing home payments, and on hospital admissions and length of hospital stays, as well as to the inflation controls of 1971. Indeed, his satisfaction at the control of costs is severely tempered by his feeling that price controls are being administered in ways unfair to doctors.

While this is pleasant news, Schwartz does analyze the problem of how to pay for health care, and argues, as so many others have, that our insurance system perversely encourages the use of expensive hospital care instead of cheaper ambulatory care. But he also seems to grudge the heavy use of health care made possible by Medicare and Medicaid. Unless one can argue that this health care was unnecessary—and while undoubtedly some was, it is hard to see that the poor, with all the restrictions upon them in getting time off from work, travelling to facilities, and the like, would tend to make *more* unnecessary use of such resources than the well-off—Schwartz's rather niggardly approach to the subject seems unwarranted. His conclusion is, I believe, half wrong and half right. First he calls for "a prohibition against front end medical insurance." He is convinced that without all the elaborate requirements

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for deductibles and co-insurance with which we clog up Medicare and other insurance, people will abuse the health care system. There is little evidence for this from England, and if there is a tendency toward heavier use, there should be better controls than the inordinately complex and costly mechanisms that we are addicted to in this country in both public and private insurance systems, and that call for at least a computer to figure one's benefits. One longs for the simple common sense of the creators of the British NHS, who assumed the administrative costs of many restrictions were not worth the bother, and opened up NHS to all without deductibles, co-insurance, limitations on length of hospital stays, and the like. (Unfortunately, rather than move to NHS-style simplification, President Nixon has proposed in his recent budget message even more costly and complex restrictions.) The second part of Schwartz's conclusion is unexceptionable, and shows that there is one reform we can all agree on: "some type of compulsory catastrophic illness insurance."

In view of Schwartz's quite proper concern for costs, in view of his conviction that private insurance as well as Medicare at present favors hospital use over cheaper office care, in view of the well-documented finding that the use of costly hospital beds is determined primarily by the number of hospital beds available (such that if we had less we would use less and save money), and in view of his understanding that personal habit and environment contribute to ill health in ways that doctors and medicine can't cure, it is really quite astonishing and totally contradictory that he should launch a fierce and quite unjustified attack on prepaid, comprehensive, group practice insurance, or "Health Maintenance Organizations" (HMO's), as we are now calling plans of the Kaiser-Permanente type. The simple fact about these plans is that they provide good medical care at considerably less than the cost of the standard package of fee-for-service and hospital insurance. They do so with much greater convenience for the patient. When well-managed, they have built-in incentives for doctors to keep patients out of the hospital and healthy. The doctors' group divides the annual profit, and the more tests and care they have wastefully prescribed, the less they get. At the same time, in a competitive system they have to provide care as good as any alternative. And Kaiser maintains the ingenious provision that it will *not* enroll groups of employees unless they have available to them at least one *other* alternative—it *insists* on competition.

Both President Nixon and Senator Kennedy and all the major analysts of American health care seem convinced that here is a distinctive and valuable creation of American experience, one worthy of a supportive environment in which more than a few per cent of the American people can choose such care. For despite its benefits, the HMO has been steadily hampered by the organized medical profession in its frenzied and really quite unreasoned

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defense of fee-for-service, and the medical profession has been able to write into law in many states legislation which makes this kind of health care impossible or inordinately complicated to establish.

Why Harry Schwartz should find it necessary to attack HMO's is mystifying to me. One form of his argument against HMO's is to attack a rather bad example, New York's Health Insurance Plan, which, in part because of medical profession opposition, has never been able to create a fully integrated system including hospitals. Schwartz twice refers to the heavy prescription of tranquillizers and aspirin substitutes in Kaiser-Permanente (pp. 172, 183) to support his claim that "costless" health care (actually, each visit to Kaiser costs something) leads to overuse by hypochondriacs and people with no discernible problem. But he gives no comparison with the prescription practices of fee-for-service doctors, which makes his list of Kaiser-Permanente prescriptions pointless. In his effort to denigrate the notion of preventive medicine, Schwartz argues that people under 45 don't need regular physical examinations—a pattern of HMO care—anyway, and if we find early symptoms they may be incurable anyway and simply lead to more psychic distress. This kind of argument strikes one as a lawyer's brief, not an effort to really determine whether the HMO has an incentive to keep people healthy. Schwartz uses the least impressive of the statistics available to concede grudgingly the superiority of HMO's in hospital use. The Nixon Administration 1971 White Paper reported 744 days of hospital use per 1,000 enrollees in HMO organizations, as against 955 in non-HMO type systems of medical care. But federal employees who choose group practice plans (and recall that they are free to make other choices) show 408 days, as against 876 days for Blue Cross/Blue Shield, and 844 days for Aetna insurance (Somers, *op. cit*, p. 54). Having acknowledged on p. 157 that "prepaid group practice . . . is one viable form of medical care delivery," Schwartz is so carried away by his brief that on p. 195 he winds up with the astonishing assertion that "any forced collectivization of doctors, any economic or other compulsion to force physicians to give up private practice and become cogs in large HMO machines would stir up enormous resentment. . . ." But *no one* is proposing it. And meanwhile, what of the quite legitimate resentment that has been stirred up by organized medicine's indecent efforts, still enshrined in a good deal of legislation, to prevent doctors and patients from *choosing* group prepaid practice?

In effect, Schwartz has decided to be more royalist than the king; as the AMA itself withdraws from the most extreme positions in its relentless battle with prepaid group practice, Schwartz leaps to the barricades to continue the battle. The odd thing is that a defender of American medicine as "the best in the world" should resist acknowledging that this country's major contribution to the organization of health care is the HMO. It apparently is found nowhere else. The hospital in a national system such as that of

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England, or in a system with most costs covered through government insurance as in Sweden, may be seen as a medical group with prepaid insurance. Important differences remain however: The American HMO operates in the sphere of primary patient care and in an environment in which cost factors must be important to the doctors. One gets from Anderson's book a sense of the lordly position of the Swedish doctor, who can apparently run up costs with the assurance that government will meet them. The English hospital administrator or doctor, on the other hand, is constrained by a strict budget that comes ultimately from one distant source, where overall health costs are in competition with other national needs and have surprisingly been kept almost stable as a proportion of GNP, despite the great changes in the practice of medicine since World War II that have had such a drastic impact in pushing medical costs upward in Sweden and the United States.

Thus the Swedish doctor, in his independence, places a crushing burden on the taxpayer, while the British doctor is held down by a powerful government which can resist pressure as long as it has a majority (which is why Anderson describes the Swedish doctor as happiest, the English doctor as unhappiest). The HMO, since it lives in a competitive atmosphere, is encouraged to make use of the most advanced techniques of medicine, as is the Swedish doctor, but is nevertheless required by the realities of cost competition to use a certain prudence in running up expenditures. Thus it escapes both the lack of controls of doctor-run hospitals and a fee-for-service system which seems to be plaguing Sweden, and the strong controls by way of the budget that constrain doctors in England.

The fact is that *any* system of financing has its benefits and drawbacks, both for costs and patient care. The doctor on capitation is encouraged to add to his list as many as he can, to give each short shrift, and to send as many difficult cases as he can on to the hospital. The fee-for-service doctor is encouraged to see patients too often, to hold on to them too long. The salaried doctor will not have the incentive of the capitation doctor to acquire a big patient load, or of the fee-for-service doctor to work longer and harder. The patient, on the other hand, is likely to prefer the economical capitation doctor or salaried doctor, but at the same time he may find neither of them as accessible or accommodating as the fee-for-service doctor. The doctor in a prepaid group partnership will have his own distinctive pattern of incentives and disincentives. In all systems, one must depend heavily on the professional ethic of the doctor to provide good and responsible care. This seems to be the conclusion of Glaser's fascinating study, *Paying the Doctor* (cited earlier); and thus the effort to denigrate the HMO simply because the doctor is *not* on a fee-for-service basis ignores the drawbacks of alternative systems.[4]

[4] A recent editorial in the *Japan Times* points to a problem with the Japanese system of insuring payments to doctors. Doctors are reimbursed on a point

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In any case, the practice of Kaiser-Permanente is more often open to research and examination than the practice of the average hospital or fee-for-service doctor. It has made its experience generously available to doctors, administrators, and researchers (see Anne R. Somers, ed., *The Kaiser-Permanente Medical Care Program: A Symposium*, New York, The Commonwealth Fund, 1971). One can't help but conclude that if we could increase the proportion of the American population that makes use of prepaid group practice from a few per cent to a more substantial proportion we would do a good deal to provide better and cheaper health care.

One step to this result is the elimination of restrictive legislation; another is government assistance in the form of loans. A third is a careful attention to the way we write health insurance legislation in this country, so that we do not hamper or complicate HMO's as part of the American health care system. Both Medicare and Medicaid assume—as they must—in their benefit structure, rules, regulations, and administration a fee-for-service pattern on the part of practitioners. Kaiser-Permanente was able to incorporate those members eligible for Medicare into its system through rather elaborate administrative procedures; to undertake the same approach for persons eligible for Medicaid (by having state or local authorities buy into an HMO for the Medicaid family, for example) would raise enormous administrative difficulties.

Indeed, in the effort to deal with the abuses of Medicaid these difficulties may be increased. Thus, legislation has been introduced into the New York City Council which will limit and control the use of medical groups by Medicaid patients. It seems that, in New York City, doctors have formed "groups" for the purpose of maximizing the take from Medicaid. (Medicaid now amounts to an incredible $1,200,000,000 for the city; on a crude estimate, the Medicaid patient in New York City costs at least twice as much to provide with health care as the average American. Seven tenths of one per cent of the American people are thus consuming more than 1.5 per cent of our health expenditures.) The doctor in the "group" will refer the patient to another doctor in the "group," will prescribe laboratory tests in the "group's" lab, prescribe medicine and glasses from the "group's" pharmacy and optician, and even, it appears, consign the task of collection from Medicaid to an agency which is owned by the same people who own the "group." Thus the City Council is preparing legislation to deny to a Medicaid patient the right to use a group for health care, or to permit him to use a group physician only when the physician acts *not* as

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system—so much for each service or each prescription. The tendency, according to the editorial, is to enourage overprescription of drugs. (As a reader of Japanese novels, I can't help wondering if this is an accidental error in the insurance formula, or if it does not perhaps reflect some national taste.) In order to correct for this, the points given for drug prescriptions have been reduced —which has led, according to the *Japan Times*, to even more prescribing to keep up income!

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a member of a group, but refers him to some unconnected doctor, laboratory, or pharmacy. The news story reporting all this in the *New York Times* does not bother to make any distinction between the groups in question and *prepaid* medical groups, nor to indicate how the legislation would affect the capacity of a prepaid medical group to offer health care to Medicaid patients. Very likely the administrative complexities in so doing already guarantee that HMO's in New York City have no Medicaid patients.

As we have seen, much that once seemed clear in international health care comparisons is no longer so clear: Swedish care is no longer so cheap, American health is no longer so bad, our excess of doctors and nurses and hospital personnel is no longer so excessive, and our doctors and hospitals will not long be unconstrained by the involvements with governments and insurance funds, and some control by them, that is typical in most advanced countries.

But one aspect of American medicine unfortunately still seems to stand out as unique: the corruption practiced by many of its doctors and the substantial distrust of doctors and medical institutions by patients, as evidenced by the astonishing role of malpractice and the fear of malpractice in American medicine. It may seem harsh to use the word "corruption" to describe the practices of what must be only a few doctors; yet even these few, one must report, are not to be found, on the basis of these and other studies, in England or Sweden, and one must soberly ask oneself why the best-paid doctors in the world—at least some of them—seem to find it necessary to engage in barely legal or illegal practices to force their incomes even higher. Or is it indeed *because* they are the best-paid doctors in the world that so many have engaged in profiteering at the public expense and in the practice of unnecessary medical attention, prescribing, and operating to increase their incomes? Does the mere fact of high income feed the desire for more?

Doctors are everywhere fairly well provided for and everywhere given the highest respect; our country is no exception. But we find here a range of practices and, consequently, an inevitable and unfortunately necessary concern for the control of malpractice and unethical practice, that we do not see in England and Sweden. Malpractice suits and judgments and the enormous insurance coverage they require are regularly listed as one of the expenses driving up the cost of American health care.

Richard Titmuss has already pointed out the differences between high malpractice insurance costs in the United States and their purely nominal costs in England (see *The Gift Relationship*, Pantheon, reviewed in *The Public Interest*, No. 24, Summer 1971). What can explain this astonishing phenomenon which now so deeply troubles the American members of the world's most respected profession? That we have so many more lawyers than other nations do, and that they too range down to a barely ethical or unethical level? That must be one explanation. That authority everywhere

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has been under attack, and why should doctors and hospitals escape if government officials, college presidents, professors, and hospital administrators have not? That too must be part of it. That the deep ethnic divisions in our country make it possible to raise one group against another, and in particular to raise up in anger those who provide few candidates for this esteemed profession? That must also be a factor. But I believe that some part of the explanation is to be found in the peculiar and fierce attachment of the organized American medical profession to one system of payment, a system which, with recent changes, has startingly increased its income. The rise in the income of American doctors has been matched by the rise in the number of malpractice suits, the size of jury awards, and the costs of malpractice insurance. The correlations must be high, though of course that is no evidence of causal relationship.

Everywhere doctors are paid well, but in this country the relationship between the healing art and direct recompense for every individual act of healing has been given by the medical profession a supreme value. In recent years doctors have added to fee-for-practice other means of increasing their income, such as becoming medical entrepreneurs. Is it possible that the somewhat greater distance between healing and direct monetary payment that generally prevails in England and Sweden contributes to a morally healthier medical profession? This is at any rate a hypothesis worth exploring. Certainly, as we continue in our efforts to improve American health care, it is worth looking at malpractice suits, judgments, and insurance as one index of the state of the system, and of the different parts within it.

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"Problem Families" and Public Housing

RICHARD S. SCOBIE

In the two years since the publication of Roger Starr's "Which of the Poor Shall Live in Public Housing" in *The Public Interest*, No. 23, Spring 1971, the article has been widely quoted, and its central thesis—the incompatibility of "working poor" and "dependent poor"—made the subject of both praise and scorn. Observing the general deterioration of public housing nationally (and in New York City in particular), Starr accepted the traditional explanation of housing professionals, namely, that it is the presence of "problem families" that is causing the difficulty. He identified these problem families as the "dependent poor"—usually black, female-headed families, receiving Aid to Families with Dependent Children (AFDC)—and stated his fear that unless such families are excluded from public housing, the conflict betwen them and the less problematic "working poor" will drive the latter out.

As little of the commentary to date has offered new data which might tend to support or refute Starr's arguments, I should like to bring to the attention of the public the results of a study I conducted in four public housing developments in the summer of 1971. I set out to find answers to the following questions: How many problem tenants do housing managers really have to contend with? Just what is it that makes managers consider them to be problems? Of those so identified, how many fit the classical description of the "problem family"? Do the problem tenants differ in any special ways from the general project population? Perhaps most interesting of all, how do Starr's "working poor" and "dependent poor" really get along with one another? And when conflict does occur, who complains about whom?

In four developments in Boston, housing almost 4,000 low-income families, the managers were asked to review their entire tenant population, case by case. Target projects were chosen to reflect the range from those with a very high reputation in the community to those whose reputation was notorious. Whenever a family was recognized by the manager as presenting a problem of any type, it was set aside for further discussion. Then, with information on the social characteristics of each family and the nature of the problem

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assembled from both interviews with the managers and the records of the housing authority, it was possible to deal with our first group of questions about problem tenants.

To find out how or whether different kinds of people come into conflict with one another required slightly more complicated techniques. A complaint log was rigorously kept in each of the four developments for a period of 10 weeks. During this time, every instance in which one tenant family made a complaint to the management office about another tenant family was recorded along with the reason for the complaint. At the end of the 10-week period, detailed information on the social characteristics of both complainers and those complained about was collected and all data prepared for analysis.

Considering the universality of the "problem family" explanation for so many of management's problems, the findings were startling. Excluding problems of rent arrears (which, as an administrative problem seemed to be more closely associated with management style than with the actual arrears rate), the proportion of families considered to be problem tenants ranges from a low of 2.2 per cent in the high-reputation development, to a high of 4.1 per cent in the low-reputation development. Of these already small proportions of tenants, an even smaller number were judged to be "multi-problem" families according to commonly used criteria. Thus, of the total of 3,935 families, only 132 were considered by management to be problem tenants. Of these, only 21 were identified because of combinations of problems that might have qualified them for the "multi-problem family" label. When those identified as problem tenants were compared statistically with the overall tenant population, few significant differences were found. There was a lower number of elderly, and a slightly higher number of female-headed households among the problem tenants than among the total tenant population. Otherwise, no clear profile of the "problem family" as a constellation of social characteristics emerged. For every single-parent family identified as a problem tenant, 16 were causing no trouble. Race, size of family, length of occupancy, source of income, age of children—all proved to be equally irrelevant.

A related finding was the lack of correspondence between the "problem tenants" and the existence of areas in the project which management viewed as "problem areas." A problem area seemed to be less related to the existence of a few difficult tenants than to the presence of an abundance of children (usually determined by the architectural design) or the unanticipated use of certain spaces for short-cuts, hangouts, or other heavy-traffic activities.

As for the question of who's complaining about whom, the results were remarkable. When the role a person or family played in the complaint (either as a complainer or complainee) was crossed with any one of over a dozen social characteristics (age, race, sex of

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head of household, education, source of income, employment, length of occupancy, age of children, presence of teenagers, language, etc.), not a single statistically significant association was found to exist. Thus, there were no apparent patterns of people complaining about each other across social variables. The whites and blacks were not complaining about each other. The employed and the welfare families were not complaining about each other. The young and the old were not complaining about each other. The large and the small families were not complaining about each other.

In fact, the complaints that did occur (a total of 50 incidents involving 100 families, with only a few repeaters) usually involved conflict *within* social groupings. It was the elderly complaining about other elderly; the employed tenants complaining about other employed tenants; welfare families in conflict with one another; whites in conflict with one another; blacks complaining about other blacks; and so on. It was not differences but similarities which seemed to contribute to negative interaction among tenant families.

THUS, in spite of the large proportion of families on public assistance—56 per cent on Old Age Assistance (OAA) and AFDC alone in one project—most of whom would fall into Starr's "dependent poor" category, there was a pronounced scarcity of families that the management considered to be "problem tenants." The rest, including the vast majority of those "dependent" folks, did not appear either on the manager's problem tenant list or on the complaint log. And as for the deep hostility that is alleged to exist between the "working poor" and the "dependent poor," it simply did not materialize in the form of specific instances of conflict between tenants who differed in these ways.

I would like to suggest several possible implications of these findings:

First, Starr should attempt to gather some actual behavioral data before writing any sequels. His assertions were certainly unsupported by the findings of my study.

Second, housing managers should all take the time to go through their entire family caseload to determine just who is a problem and why. They should then do a little arithmetic to see how large a proportion of their entire tenant population this group represents and (I predict) give thanks that it is such a small figure.

Third, housing authorities should give up all the complicated schemes for screening out families who might represent potential problems on the basis of the kind of social data that is available on most applications. The magic profile of the "typical problem tenant" either doesn't exist or is far more elusive than most of the popular formulas suggest. If a family is eligible, they should be presumed innocent until proven guilty, and *housed.*

Fourth, the exaggerated fears of heterogeneity, of what bad things will happen when unlike people are housed together, should be laid to rest. Attempts at avoiding management problems by skillful

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tenant selection strategies emphasizing the exclusion of large numbers of welfare families are unnecessary, probably illegal, and, on the basis of these findings, unlikely to be successful.

Fifth, the community should abandon its preoccupation with the "problem family" explanation of the problems of low-income housing generally and public housing in particular. Attempts to expand this sort of modern "devil theory" of causation to include whole social classifications (such as the "dependent poor") are simply unfounded and they should be discarded.

There are serious problems in housing that are obvious to any observer. Yet for too long we've used this pursuit of the "problem family" as a mechanism for avoiding harder questions about the inadequacy of our entire system of producing and managing subsidized housing. This study suggests strongly that it may now be time to bury the old myths and to stop looking for ways to blame systemic problems on presumed individual pathology.

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A Reply

ROGER STARR

So that we may have the record straight, I shall recapitulate the arguments I made in "Which of the Poor Shall Live in Public Housing." Although Richard Scobie proposes only to bring "the results of a study" to our attention, the tone in which this courtesy is couched suggests that he believes his study refutes the contentions of my article.

I argued that public housing has been relatively successful in New York City—as contrasted with certain other American cities—because the New York City Housing Authority provides homes acceptable to the "working poor." I further argued that the willingness of the working poor to live in New York City public housing could be explained by the vigilance of the Authority in "keeping its non-working-class population within limits that would be acceptable to the working-class population. . . ." I pointed out that the federal courts had intervened to obstruct the Authority from evicting problem families whose acts after admission convinced the Authority that they were unsuitable tenants. Finally, I argued that these problem families were largely members of the non-working population, and that the increased difficulty in evicting such families, when combined with the growing difficulty of screening out applicants whose personal records suggest a serious probability of future problems, threatens the continued willingness of working poor families to live in New York public housing.

Scobie interprets his data to refute my arguments in the following manner: First, he says that Boston public housing has few problem families. Second, he says that the problem families who do live in Boston public housing cannot be identified as working or non-working, or indeed correlated with other social characteristics chosen by him. Third, he argues that working poor families do not fear or resent the presence of non-working families, citing as evidence the fact that the complaints recorded by Boston public housing managers are generally made by tenants against other tenants who have the same social characteristics.

With respect to the first question—the allegedly small number of problem families in Boston public housing—we should note that Scobie arbitrarily shrinks this number by deleting from his enumeration "problems of rent arrears." The rationale for doing this

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is obscure, but in any case, Scobie has apparently overlooked the possibility (on the basis of New York experience I would claim it to be far more than a mere possibility) that managers classify as "rent arrears cases" many families with other troublesome social problems. The reason for this is simple. If a manager wants to get rid of a troublesome tenant on social grounds, he faces a challenge from his superiors, at the very least. If the same tenant can be challenged for rent arrears, the way to getting rid of him is much smoother.

After deleting the rent arrears cases, Scobie tells us that upon consulting with the managers he finds that the "bad" Boston projects contain only about four per cent problem families. Only about one half of one per cent are "multi-problem" families.

I am troubled by this account for two reasons. First, it seems clear from the context that Scobie has little idea of the human hell that can be raised in a single project if four per cent of its households present problems to their neighbors and the management. If, as is often the case, the acknowledged problem family is large, the percentage of troublesome *individuals* is higher than the percentage of troublesome *households.* If elderly couples constitute half of the tenancy, while the average problem family has five members, a 100-apartment building will contain *20* problem family members to *100* aged persons, even though the problem households are but four per cent of the total.[1]

SECOND, I am troubled by the curiously low percentage (less than one half of one per cent) of multi-problem families in Boston public housing. The Citizens Housing and Planning Council study, "Report on the Harlem Welfare Center-St. Nicholas Houses Experiment" by Elizabeth Wood, points out that in 1958 there were 2,000 multi-problem families among the approximately 100,000 families living in New York City public housing. The report comments: "Although the number (2,000) is small in terms of the total population living in public housing (only two per cent), it is huge when thought of as caseloads to be added to the work of family casework agencies." If we were to compare the percentage of public housing multi-problem families in Boston and New York on an equitable basis, we should have to eliminate from New York's universe of public housing families those who, in 1958, were living in the city's non-subsidized projects, a type of housing which Boston lacks. These buildings cater to higher-income renters, and con-

[1] So that Scobie might have a more accurate picture of the havoc which can be caused by the members of those problem families, I would urge him to spend less time talking with managers about classification of families and more time with tenants. If he is interested in further data, I invite him to scan the voluminous case reports on multi-problem families (names deleted) which accumulated in the files of the Citizens Housing and Planning Council of New York during a study of a novel procedure for helping such families in residence in St. Nicholas Houses in 1958.

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tained few if any multi-problem families in 1958. If the universe of New York low-rent public housing families is thus pared down, we find that the multi-problem families constituted about three per cent of the total of all families living in low-rent public housing. As I have stressed, an increase of one or two per cent in the number of multi-problem *families* can make a big difference to a housing project.

I have no ready explanation for the discrepancy between Scobie's estimate, made by him on the basis of a classification arrived at by agreement with the managers of projects in Boston, and the New York figure which is 500 per cent higher. I would, however, be less than candid if I failed to admit that I consider the agency records in New York better evidence than Scobie's Boston classification. On the basis of that preference, I must conclude that multi-problem families were important in New York City housing in 1958. In the absence of congruent later statistics, I infer from many informal reports and complaints that similar families are at least as much a nuisance to their public housing neighbors today.

Scobie's second count—that problem families cannot fairly be described as tending largely to come from the ranks of the non-working poor—rests on his observation that few significant differences could be found by him between the acknowledged problem families and others in public housing. Scobie prepared a list of social characteristics which could be verified, and scored both the general public housing tenancy and the problem family tenancy with reference to each of the social characteristics on his list. He admits that a smaller percentage of "elderly" families turned up on the list of problem families than in the general tenancy, while a slightly higher percentage of "female-headed households" turned up on the problem family list than in the general tenancy. All other characteristics were irrelevant, he says.

There are a number of difficulties in accepting Scobie's assurance that, because he found it difficult to categorize problem families, such a categorization is impossible. Scobie's list of problem families may itself be defective because of the subjectivity with which he prepared the list. Or his list of social characteristics may be poorly chosen. A third difficulty is produced by his apparent use of a *single* characteristic as a determinant. He tells us that for every "single-parent" household on the problem family list, there were 16 single-parent families among the tenancy as a whole. But suppose, instead, we picked three characteristics simultaneously, and looked for families which (a) have a single, female head, and (b) have three or more children, and (c) derive their income entirely from AFDC. Would we find that for every such family on the problem family list there would still be 16 in the general tenancy, or would this constellation of characteristics be more likely to coincide with problem families?

I labor this point in some detail because once again I cannot reconcile Scobie's findings with the St. Nicholas study to which I

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have already referred. Miss Wood tells us in her text that of the 2,000 multi-problem families identified on the basis of their social agency records, approximately one half were clients of the Welfare Department, already on the welfare rolls. In 1958, when the St. Nicholas study was performed, Welfare Department clients constituted about 14 per cent of all families living in public housing in New York City. By the use of elementary mathematics, we would have to find that a public housing family on welfare (whether in the form of OAA, AFDC, or New York's supplemental assistance) was six times more likely to be a multi-problem family than was a family not on the welfare rolls. In other words, the 86,000 non-welfare families were producing only as many multi-problem families as the 14,000 welfare families. If we were able to refine the welfare family definition (as I suggested in my original article) to exclude the families receiving OAA or supplemental assistance, we might well find that the proportion of multi-problem families among the AFDC families was even higher. Incidentally, Scobie, in discussing my remarks on the non-working family, gratuitously inserts the word "black" into his paraphrase of my argument. The word is out of place in a discussion of the generalized characteristics of the non-working poor.

In his conclusions, based on his inability to correlate social characteristics with problem families, Scobie suggests that poor management of the projects is more important than the characteristics of the tenancy. In refutation of this rather subjective allegation, I would urge Scobie to visit New York City, where a large sample of data is available for analysis. He might wish to examine three different projects, all in the same neighborhood, all originally under *the same manager*. All were built within the last five years to roughly the same kind of design. One project, Glenwood Plaza, is in excellent physical condition. Scobie might wish to analyze its maintenance and repair budget. The other two projects, Langston Hughes and Seth Low—now necessarily supervised by their own managers—are in deplorable physical condition. Again, he might wish to analyze their budgets. The most obvious variable between the three projects is the selection of tenants. In Glenwood Plaza, 7.3 per cent of the tenants are welfare recipients; the figures for Langston Hughes and Seth Low are 63.7 per cent and 45.7 per cent respectively, and there is a high incidence of broken homes at these two projects, which have had to accept a high percentage of displacees from Brownsville. In Coney Island, three other projects—O'Dwyer, Carey, and Mermaid—offer a similar contrast. I did not suggest that *all* AFDC families are multi-problem families; but the facts cited certainly indicate that screening of AFDC families to eliminate probable multi-problem families is prudent.

Finally, Scobie attempts to dispute my statement that a difference in fundamental attitudes separates the working from the non-working poor, and that the working poor resent the presence of a

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significant number of non-working poor in the same building. His refutation is based on a log of complaints filed by tenants against other tenants in Boston public housing projects. Categorizing the complainant and the complainee with reference to an unrevealed list of social criteria, Scobie concludes that most logged complaints are made against members of the same social group as the complainer.

I do not quarrel with these facts, but Scobie's inference from them is, in a word, absurd. The absence of "across social variables" complaints does not mean that heterogeneity is pleasing to public housing tenants; it means that members of one group in public housing either *do not know* the names of members of other groups against whom they might like to lodge complaints, or that the would-be complainants *are simply afraid to complain* about members of other groups. Scobie seems to have no sense of the real fear felt by the elderly in the face of assaults by tenants of different age-groups with different attitudes toward work.

Lest my notion of inter-group fear be taken as exaggerated, I direct Scobie's attention to the *New York Times* paraphrase, published on October 3, 1972, of testimony given to a Senate subcommittee investigating conditions in the Columbia Point public housing project in South Boston. I quote only two paragraphs of an article which should profitably be read in full by those who claim to understand the social dynamics of public housing:

> There have been several deaths and many broken bones as a result of attacks on the elderly in public housing here. Often the assailants are known by the victims. Often they are residents.
>
> But the elderly, victimized because of their advanced age and physical limitations, fear reprisals by their assailants who, when caught, are sometimes released on bond within 24 hours.

In an atmosphere like this, the recorded complaints made by tenants about other tenants can scarcely be regarded as an accurate index of their feelings. That Scobie had not even considered how his statistics might have been shaped by the social setting he was investigating comes as a chastening revelation of the current state of sociological discourse. We must not only question the conclusions he has reached (i.e., that "the fears . . . of what bad things will happen when unlike people are housed together should be laid to rest"); we must also regret the lack of what he has been unable or unwilling to produce: a patient, serious, and sympathetic exploration of the patterns of life within a public housing project.

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CURRENT READING

When Students Rate Their Teachers

In their recent enthusiasm for "good teaching," colleges and universities have given increasing attention to student assessments of their professors' teaching effectiveness. The standard justification for this practice is that students, as direct consumers of professorial "services," are uniquely qualified to evaluate those services. And the equally standard rejoinder from some faculty members has been that subjective student evaluations are inevitably fickle and self-interested, so that the highest "effectiveness" ratings go to professors who give the highest grades or the easiest courses.

Supporters of student evaluations have heretofore been able to respond to this objection by citing the findings of a series of social science studies dating back to 1928. These studies concluded (1) that there is no correlation between the grade a student receives and the effectiveness rating he gives his professor, and (2) that student rankings of teachers correlate positively with how much the students have learned.

It now appears that this received social science opinion is 100 per cent wrong, as is shown in a fascinating paper by Miriam Rodin and Burton Rodin in the September 29, 1972, issue of *Science*. The Rodins began by reanalyzing the old studies. They discovered a gross methodological error in the study "showing" no correlation between grades and student ratings; when the error was corrected, it turned out that in many classes studied there were strong positive correlations, while in others there were strong negative correlations. As for the "finding" of a positive correlation between ratings and amount learned, the Rodins discovered that this correlation was not "significantly greater than zero."

Most startling of all, though, is the finding of the Rodins' own carefully designed, randomized experiment to test rigorously the relationship, if any, between how much students actually learn and how effective they rate their teachers. The result was a strong *negative* correlation (−.746) between the amount learned as measured by a comprehensive objective test of course content and the students' subjective ratings of their teachers' effectiveness. In other words, the *more*

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effective the teacher is in actually improving his students' knowledge and comprehension, the *lower* will be his students' evaluation of his effectiveness!

The Rodins were somewhat perplexed by this result. "Perhaps," they hypothesized, "students do not wish so much to maximize the amount learned as to reach an equitable compromise between the effort involved in learning and the perceived importance of what is being learned." Or perhaps the answer is that "as students learn more, they become better able to detect the weaknesses of their instructors." One clue to the answer, they ventured, was their discovery of evidence "that student evaluations . . . tend to reflect the personal and social qualities of an instructor, 'who he is' rather than 'what he does.' " But however that may be, they observed that "if how much students learn is considered to be a major component of good teaching, it must be concluded that good teaching is not validly measured by student evaluations in their current form."

What Is Crime?

The president of Antioch College, quoted in William Moyers's *Listening to America*, shows how a little social science can be a dangerous thing:

> As we [Antioch College] moved quite self-consciously and in rather daring ways . . . towards increasing the cultural pluralism of the college, we've discovered there are, of course, class differences in morality. White middle-class America is pretty cool to the use of either personal violence or mass violence as a means of solving human problems. Usually, they look for a method of accommodating or mediating differences short of personal violence. This is not the acceptable mode of moral behavior, for, say, a black kid from an inner-city ghetto. At some point he confirms his morality by beating the hell out of somebody. That for him is a positive confirmation. That makes him feel a man. What in a sense is moral in terms of being consistent with the ethic of the culture for one group is not moral for another. And you've got a real problem under these circumstances in trying to define what's crime.

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